

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended:

June 30, 2002

or

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

For the transition period from

to

Commission File Number: **1-6064**

ALEXANDER'S, INC.

(Exact name of registrant as specified in its charter)

Delaware

51-0100517

(State or other jurisdiction of incorporation
or organization)

(I.R.S. Employer
Identification Number)

888 Seventh Avenue, New York, New York

10019

(Address of principal executive offices)

(Zip Code)

(212) 894-7000

(Registrant's telephone number, including area code)

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

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

Yes No

As of August 1, 2002 there were 5,000,850 common shares outstanding.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF OPERATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Item 4. Submission of Matters to a Vote of Security Holders

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K

SIGNATURES

EXHIBIT INDEX

LLC OPERATING AGREEMENT OF 731 RESIDENTIAL

LLC OPERATING AGREEMENT OF 731 COMMERCIAL

AMENDED AND RESTATED CREDIT AGREEMENT

CREDIT AGREEMENT BETWEEN ALEXANDER'S AND VORNADO

AMENDED CREDIT AGREEMENT WITH VORNADO

CREDIT AGREEMENT WITH VORNADO EVIDENCING A LOAN

BUILDING LOAN AGREEMENT

PROJECT LOAN AGREEMENT

SUPPLEMENTAL LOAN AGREEMENT

CONSOLIDATED, AMENDED & RESTATED BUILDING LOAN

CONSOLIDATED AMENDED & RESTATED BUILDING LOAN NOTE

GUARANTY OF COMPLETION

GUARANTY OF CARRY OBLIGATIONS

ENVIRONMENTAL INDEMNITY AGREEMENT

REIMBURSEMENT AGREEMENT

AMENDMENT TO REAL ESTATE RETENTION AGREEMENT

59TH. STREET REAL ESTATE RETENTION AGREEMENT

AMENDED AND RESTATED MANAGEMENT & DEVELOPMENT AGMT.

59TH. STREET MANAGEMENT & DEVELOPMENT AGREEMENT

KINGS PLAZA MANAGEMENT AGREEMENT

FIRST AMENDMENT TO LEASE

**ALEXANDER'S, INC.
AND SUBSIDIARIES
INDEX**

Page Number

PART I. Financial Information:		
Item 1.	Financial Statements:	
	Consolidated Balance Sheets as of June 30, 2002 and December 31, 2001	3
	Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2002 and June 30, 2001	4
	Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2002 and June 30, 2001	5
	Notes to Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	14
PART II. Other Information:		
Item 1.	Legal Proceedings	15
Item 4.	Submission of Matters to a Vote of Security Holders	15
Item 5.	Other Information	15
Item 6.	Exhibits and Reports on Form 8-K	15
Signatures		16
Exhibit Index		17

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****ALEXANDER'S, INC.
AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**
(amounts in thousands except share amounts)

	June 30, 2002	December 31, 2001
ASSETS:		
Real estate, at cost:		
Land	\$ 90,768	\$ 90,768
Buildings, leaseholds and leasehold improvements	168,648	168,388
Capitalized expenses, development costs and construction in progress	218,476	168,736
Total	477,892	427,892
Less accumulated depreciation and amortization	(53,669)	(51,463)
Real estate, net	424,223	376,429
Assets held for sale	3,879	3,930
Cash and cash equivalents	99,443	135,258
Restricted cash	6,842	6,596
Accounts receivable, net of allowance for doubtful accounts of \$335 in 2002 and \$929 in 2001	1,403	1,534
Receivable arising from the straight-lining of rents, net	19,757	18,233
Deferred lease and other property costs	28,660	29,371
Deferred debt expense	5,539	5,840
Other assets	8,329	6,148
TOTAL ASSETS	\$598,075	\$583,339
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Debt (including \$119,000 due to Vornado Realty Trust (Vornado) in 2002 and 2001)	\$514,570	\$515,831
Amounts due to Vornado and its affiliate	4,737	4,822
Accounts payable and accrued expenses	21,933	13,940
Other liabilities	9,356	3,665
TOTAL LIABILITIES	550,596	538,258
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock: no par value; authorized, 3,000,000 shares; issued, none	—	—
Common stock: \$1.00 par value per share; authorized, 10,000,000 shares; issued, 5,173,450 shares	5,174	5,174
Additional capital	24,843	24,843
Retained earnings	18,422	16,024
	48,439	46,041
Less treasury shares, 172,600 shares at cost	(960)	(960)
Total stockholders' equity	47,479	45,081
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$598,075	\$583,339

See notes to consolidated financial statements.

**ALEXANDER'S, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands except per share amounts)

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2002	2001	2002	2001
REVENUES:				
Property rentals	\$12,637	\$10,535	\$ 25,041	\$21,108
Expense reimbursements	5,966	6,017	12,284	11,893
Total revenues	<u>18,603</u>	<u>16,552</u>	<u>37,325</u>	<u>33,001</u>
EXPENSES:				
Operating (including management fee to Vornado of \$353 and \$334 for the three months ended in 2002 and 2001; \$719 and \$674 for the six months ended in 2002 and 2001)	7,435	7,716	14,306	14,382
General and administrative (including management fee to Vornado of \$540 and \$1,080 each for the three and six month ended in 2002 and 2001)	5,169	848	6,034	1,716
Depreciation and amortization	1,621	1,581	3,232	3,143
Total expenses	<u>14,225</u>	<u>10,145</u>	<u>23,572</u>	<u>19,241</u>
OPERATING INCOME	4,378	6,407	13,753	13,760
Interest and debt expense (including interest on loans from Vornado)	(6,156)	(4,728)	(12,734)	(9,244)
Interest and other income, net	535	428	1,202	791
(Loss) income from continuing operations	(1,243)	2,107	2,221	5,307
Income (loss) from discontinued operations (including extraordinary gain from early extinguishment of debt of \$3,534 for the six months ended June 30, 2001)	110	(37)	177	22,370
NET (LOSS) INCOME	<u>\$ (1,133)</u>	<u>\$ 2,070</u>	<u>\$ 2,398</u>	<u>\$27,677</u>
(Loss) income per share (basic and diluted):				
Continuing operations	\$ (0.25)	\$ 0.42	\$ 0.44	\$ 1.06
Discontinued operations	0.02	(0.01)	0.04	4.47
Net (loss) income	<u>\$ (0.23)</u>	<u>\$ 0.41</u>	<u>\$ 0.48</u>	<u>\$ 5.53</u>

See notes to consolidated financial statements.

**ALEXANDER'S, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	For The Six Months Ended June 30,	
	2002	2001
Cash Flows From Operating Activities:		
Net income from continuing operations	\$ 2,221	\$ 5,307
Adjustments to reconcile net income to net cash provided by (used in) continuing operating activities:		
Depreciation and amortization (including debt issuance costs)	3,682	4,222
Straight-lining of rental income, net	(1,524)	(1,685)
Stock appreciation rights compensation expense	4,236	—
Change in assets and liabilities:		
Accounts receivable	131	565
Amounts due to Vornado and its affiliate	(2,725)	774
Accounts payable and accrued expenses	(4,465)	(3,067)
Other liabilities	1,455	171
Other	(2,507)	(4,225)
Net cash provided by operating activities of continuing operations	504	2,062
Income from discontinued operations	177	22,370
Gain on sale of Fordham Road property	—	(19,026)
Extraordinary gain from early extinguishment of debt	—	(3,534)
Net cash provided by (used in) discontinued operations	177	(190)
Net cash provided by operating activities	681	1,872
Cash Flows From Investing Activities:		
Cash flow from continuing operations:		
Additions to real estate	(34,903)	(19,131)
Cash made available for construction financing	—	8,388
Cash restricted for operating liabilities	(4,479)	(15,673)
Cash made available for operating liabilities	4,233	2,855
Net cash used in continuing operations	(35,149)	(23,561)
Cash flow from discontinued operations:		
Proceeds from sale of Fordham Road property	—	23,701
Net cash provided by discontinued operations	—	23,701
Net cash (used in) provided by investing activity	(35,149)	140
Cash Flows From Financing Activities:		
Issuance of debt	—	232,685
Debt repayments	(1,261)	(138,168)
Deferred debt expense	(86)	(5,135)
Net cash (used in) provided by financing activities	(1,347)	89,382
Net (decrease) increase in cash and cash equivalents	(35,815)	91,394
Cash and cash equivalents at beginning of period	135,258	2,272
Cash and cash equivalents at end of period	\$ 99,443	\$ 93,666
Supplemental disclosure of cash flow information:		
Cash payments for interest (of which \$9,562 and \$9,954 have been capitalized)	\$ 23,499	\$ 18,626

See notes to consolidated financial statements.

**ALEXANDER'S, INC.
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Balance Sheet as of June 30, 2002, the Consolidated Statements of Operations for the three and six months ended June 30, 2002 and 2001, and the Consolidated Statements of Cash Flows for the six months ended June 30, 2002 and 2001 are unaudited. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Alexander's, Inc. and Subsidiaries' (the "Company") annual report on Form 10-K for the year ended December 31, 2001 as filed with the Securities and Exchange Commission. The results of operations for the three and six months ended June 30, 2002 are not necessarily indicative of the operating results for the full year.

In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, effective January 1, 2002, the Company reclassified its statements of operations to reflect income and expenses for properties which are held for sale as discontinued operations. In addition, the Company reclassified the January 2001 gain on the sale of its Fordham Road property and the extraordinary gain from the early extinguishment of debt from such property to discontinued operations to conform with the current period's presentation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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.

2. RELATIONSHIP WITH VORNADO REALTY TRUST ("Vornado")

Vornado owns 33.1% of the Company's common stock at June 30, 2002.

The Company is managed by and its properties are leased by Vornado pursuant to management, leasing and development agreements with one-year terms expiring in March of each year which are automatically renewable. In conjunction with the closing of the Lexington Avenue construction loan on July 3, 2002 (Note 4), these agreements were bifurcated to cover the Company's Lexington Avenue property separately. Further, the Lexington Avenue management and development agreements were amended to provide for a term lasting until substantial completion of the property, with automatic renewals, and for the payment of the development fee upon the earlier of January 3, 2006 or the payment in full of the construction loan encumbering the property.

Pursuant to this Construction loan, Vornado has agreed to guarantee among other things, the lien free, timely completion of the construction of the project and funding of project costs in excess of a stated loan budget, if not funded by the Company (the "Completion Guarantee"). The \$6,300,000 estimated fee payable by the Company to Vornado for the Completion Guarantee is 1% of construction costs (as defined) and is due at the same time that the development fee is due. In addition, if Vornado should advance any funds under the Completion Guarantee in excess of the \$26,000,000 currently available under the secured line of credit, discussed below, interest on those advances is at 15% per annum.

Pursuant to both the pre and post July 3, 2002 management, leasing and development agreements, Vornado is entitled to a development fee based on 6% of construction costs as defined. The development fee for the Lexington Avenue project is estimated to be approximately \$26,300,000. Under these agreements the Company incurred fees of \$3,507,000 and \$1,601,000 in the three months ended June 30, 2002 and 2001, and \$6,602,000 and \$4,065,000 in the six months periods ended June 30, 2002 and 2001. The Company owes Vornado, \$1,073,000 under the leasing agreement which is payable in 2002.

**ALEXANDER'S, INC.
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2002, the Company is indebted to Vornado in the amount of \$119,000,000 comprised of (i) a \$95,000,000 secured financing, and (ii) \$24,000,000 under a \$50,000,000 secured line of credit (which carries a 1% unused commitment fee). On March 15, 2002, the loan and the line of credit were extended to April 15, 2003. The interest rate on these loans was reset from 13.74% to 12.48% using a Treasury index (with a 3% floor) plus the same spread to treasuries as previously existed. The Company incurred interest on its loans from Vornado of \$3,820,000 and \$4,199,000 in the three months ended June 30, 2002 and 2001, and \$7,902,000 and \$8,965,000 in the six months ended June 30, 2002 and 2001. At June 30, 2002, \$26,000,000 was available under the secured line of credit. On July 3, 2002, in conjunction with the closing of the Lexington Avenue construction loan (Note 4), the maturity of the Vornado debt was extended to the earlier of January 3, 2006 or the date the Lexington Avenue construction loan is repaid in full and the debt was bifurcated among various subsidiaries of the Company (all guaranteed by the Company). In addition amounts which may be due under the Completion Guarantee would be due at the same time.

3. ASSETS HELD FOR SALE

On May 8, 2002 the Company entered into an agreement to sell its Third Avenue property located in the Bronx, New York for \$15,000,000 which would result in a gain of approximately \$10,800,000. The Company has received a non-refundable deposit of \$750,000 from the purchaser. This sale is expected to be completed during the third quarter of this year, however there can be no assurance it will be consummated.

On May 30, 2002 the Company entered into an agreement to sell its subsidiary which owns the building and has the ground lease for its property in Flushing, New York for \$18,800,000 which would result in a gain of approximately \$15,800,000. The Company has received a non-refundable deposit of \$1,300,000 from the purchaser. This sale is expected to be completed during the third quarter of this year, however there can be no assurance it will be consummated.

4. LEXINGTON AVENUE

The development plans at Lexington Avenue consist of a 1.3 million square foot multi-use building. The building will contain 175,000 net rentable square feet of retail (45,000 square feet of which has been leased to Hennes & Mauritz), 880,000 net rentable square feet of office (690,000 square of which has been leased to Bloomberg L.P.) and 230,000 net sellable square feet of residential consisting of condominium units (through a taxable REIT subsidiary). Construction is expected to be completed in 2004. On July 3, 2002 the Company finalized a \$490,000,000 loan with HVB Real Estate Capital (Hypo Vereinsbank) to finance the construction of the Lexington Avenue property (the "Construction Loan"). The estimated construction costs in excess of the construction loan of approximately \$140,000,000 will be provided by the Company. The Construction Loan has an interest rate of LIBOR plus 2.5% (currently 4.36%) and a term of forty-two months subject to two one-year extensions. The Company received an initial funding of \$55,500,000 under the Construction Loan of which \$25,000,000 was used to repay the Company's term loan to a bank in the amount of \$10,000,000 and a secured note in the amount of \$15,000,000. Of the total construction budget of \$630,000,000, \$85,000,000 has been spent to date and an additional \$185,000,000 has been committed to. Pursuant to this Construction Loan, Vornado has agreed to guarantee among other things, the lien free, timely completion of the construction of the project and funding of project costs in excess of a stated loan budget, if not funded by the Company (the "Completion Guarantee"). The \$6,300,000 estimated fee payable by the Company to Vornado for the Completion Guarantee is 1% of construction costs (as defined). In addition, if Vornado should advance any funds under the Completion Guarantee in excess of the \$26,000,000 currently available under the secured line of credit, interest on those advances is at 15% per annum. There can be no assurance that the Lexington Avenue project ultimately will be completed, completed on time or completed for the budgeted amount. Further, the Company may need additional financing for the project, which may involve equity, debt, joint ventures and asset sales, and which may involve arrangements with Vornado Realty Trust. If the project is not completed on a timely basis, the Bloomberg L.P. lease may be cancelled and significant penalties may apply.

**ALEXANDER'S, INC.
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. COMMITMENTS AND CONTINGENCIES

The Company carries comprehensive liability and all risk property insurance (fire, flood, extended coverage and rental loss insurance) with respect to its assets. The Company's all risk insurance policies in effect before September 11, 2001 included coverage for terrorist acts, except for acts of war. Since September 11, 2001, insurance companies have for the most part excluded terrorist acts from coverage in all risk policies. The Company has obtained \$200 million of separate coverage for terrorist acts. In addition, the Company's builder's risk policy for the Lexington Avenue Development, which expires on December 1, 2003, includes coverage for terrorist acts up to \$428 million. Therefore, the risk of financial loss in excess of these limits in the case of terrorist acts (as defined) is the Company's, which loss could be material.

The Company's debt instruments, consisting of mortgage loans secured by its properties (which are generally non-recourse to the Company), contain customary covenants requiring the Company to maintain insurance. The lenders under these instruments may take the position that an exclusion from all risk insurance coverage for losses due to terrorist acts is a breach of these debt instruments that allows the lenders to declare an event of default and accelerate repayment of debt. In addition, if lenders insist on coverage for these risks, it could adversely affect the Company's ability to finance and/or refinance its properties, including the construction of its Lexington Avenue development property.

In June 1997, the Kings Plaza Regional Shopping Center (the "Center"), commissioned an Environmental Study and Contamination Assessment Site Investigation (the Phase II "Study") to evaluate and delineate environmental conditions disclosed in a Phase I study. The results of the Study indicate the presence of petroleum and bis (2-ethylhexyl) phthalate contamination in the soil and groundwater. The Company has delineated the contamination and has developed a remediation approach, which is ongoing. The New York State Department of Environmental Conservation ("NYDEC") has approved a portion of the remediation approach. The Company accrued \$2,675,000 in previous years (\$1,985,000 has been paid as of June 30, 2002) for its estimated obligation with respect to the clean up of the site, which includes costs of (i) remedial investigation, (ii) feasibility study, (iii) remedial design, (iv) remedial action and (v) professional fees. If the NYDEC insists on a more extensive remediation approach, the Company could incur additional obligations.

The majority of the contamination may have resulted from activities of third parties; however, the sources of the contamination have not been fully identified. Although the Company is pursuing claims against potentially responsible third parties, there can be no assurance that such parties will be identified, or if identified, whether these third parties will be solvent. In addition, the costs associated with pursuing responsible parties may be cost prohibitive. The Company has not recorded an asset as of June 30, 2002 for potential recoveries of environmental remediation costs from other parties.

Other than routine proceedings incidental to their businesses, neither the Company nor any of its subsidiaries is a party to, nor is their property the subject of, any material pending legal proceeding. The Company believes that these legal actions will not be material to the Company's financial condition or results of operations.

Letters of Credit

Approximately \$7,900,000 in standby letters of credit were issued at June 30, 2002.

**ALEXANDER'S, INC.
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. (LOSS) INCOME PER SHARE

The following table sets forth the computation of basic and diluted income per share:

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2002	2001	2002	2001
<i>(amounts in thousands except per share amounts)</i>				
Numerator:				
(Loss) income from continuing operations	\$(1,243)	\$ 2,107	\$ 2,221	\$ 5,307
Income (loss) from discontinued operations (including extraordinary gain from early extinguishment of debt of \$3,534)	110	(37)	177	22,370
Net (loss) income	(1,133)	2,070	2,398	27,677
Denominator:				
Denominator for basic income per share – weighted average shares	5,001	5,001	5,001	5,001
Effect of dilutive securities:				
Employee stock options	—	—	—	—
Denominator for diluted income per share – adjusted weighted average shares and assumed conversions	5,001	5,001	5,001	5,001
(LOSS) INCOME PER COMMON SHARE – BASIC AND DILUTED:				
(Loss) income from continuing operations	\$ (.25)	\$.42	\$.44	\$ 1.06
Income (loss) from discontinued operations	.02	(.01)	.04	4.47
Net (loss) income per common share	\$ (.23)	\$.41	\$.48	\$ 5.53

7. RECENTLY ISSUED ACCOUNTING STANDARDS

In April 2002, FASB issued SFAS No. 145, *Rescission of FASB Statement No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Correction*. SFAS No. 145 rescinds SFAS No. 4, *Reporting Gains and Losses from Extinguishment of Debt*, SFAS No. 44, *Accounting for Intangible Assets of Motor Carriers*, and SFAS No. 64, *Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements*. SFAS No. 145 requires, among other things, (i) that the modification of a lease that results in a change of the classification of the lease from capital to operating under the provisions of SFAS No. 13 be accounted for as a sale-leaseback transaction and (ii) the reporting of gains or losses from the early extinguishment of debt as extraordinary items only if they met the criteria of Accounting Principles Board Opinion No. 30, *Reporting the Results of Operations*. The rescission of SFAS No. 4 is effective January 1, 2003. The amendments of SFAS No. 13 are effective for transactions occurring on or after May 15, 2002. The rescissions of SFAS No. 44 and 64 and the amendments of SFAS No. 13 did not have an impact on the Company's financial statements.

In July 2002, FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (effective January 1, 2003). SFAS No. 146 replaces current accounting literature and requires the recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. The Company does not believe the adoption of SFAS No. 146 will have a material effect on the Company's financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This quarterly report on Form 10-Q contains certain forward-looking statements regarding our financial condition, results of operations and business. You can find many of these statements by looking for words such as "believes", "expects", "anticipates", "estimates", "intends", "plans" or similar expressions in this quarterly report on Form 10-Q. These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include, but are not limited to, the following: (a) national, regional and local economic conditions; (b) the continuing impact of the September 11, 2001 terrorist attacks on our tenants and the national, regional and local economies, including, in particular, the New York City metropolitan areas; (c) local conditions such as an oversupply of space or a reduction in demand for real estate in the area; (d) the financial conditions of tenants; (e) competition from other available space; (f) whether tenants consider a property attractive; (g) whether we are able to pass some or all of any increased operating costs we experience through to our tenants; (h) how well we manage our properties; (i) increased interest expense; (j) decreases in market rental rates; (k) the timing and costs associated with property improvements and rentals; (l) changes in taxation or zoning laws; (m) government regulations; (n) our failure to continue to qualify as a real estate investment trust; (o) availability of financing on acceptable terms; (p) potential liability under environmental or other laws or regulations; (q) general competitive factors; (r) dependence upon Vornado Realty Trust; and (s) possible conflicts of interest with Vornado Realty Trust.

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's consolidated financial statements for the three and six months ended June 30, 2002 and 2001. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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. A summary of the Company's significant accounting policies are included in Note 2 – Summary of Significant Accounting Policies to the Company's annual report on Form 10-K for the year ended December 31, 2001.

Results of Operations

The Company had net loss of \$1,133,000 in the quarter ended June 30, 2002, compared to net income of \$2,070,000 in the quarter ended June 30, 2001, a decrease of \$3,203,000 and net income of \$2,398,000 for the six months ended June 30, 2002, compared to net income of \$27,677,000 for the six months ended June 30, 2001, a decrease of \$25,279,000. The current year's quarter and six months include non-cash compensation expense of \$4,236,000 relating to stock appreciation rights. The prior year's six months included income from discontinued operations comprised of a gain on the sale of the Fordham Road property of \$19,026,000 and an extraordinary gain from the early extinguishment of debt on such property of \$3,534,000. Excluding these items, net income for the quarter and six months ended June 30, 2002, would have been higher than net income in the corresponding prior year's periods by \$1,033,000 and \$1,517,000, respectively. In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, effective January 1, 2002, the Company reclassified its statements of operations to reflect income and expenses for properties which are held for sale as discontinued operations. In addition, the Company reclassified the January 2001, gain on the sale of its Fordham Road property and the extraordinary gain from the early extinguishment of debt from such property to discontinued operations to conform with the current period's presentation.

Property rentals were \$12,637,000 in the quarter ended June 30, 2002, compared to \$10,535,000 in the prior year's quarter, an increase of \$2,102,000 and \$25,041,000 for the six months ended June 30, 2002, compared to \$21,108,000 for the six months ended June 30, 2001, an increase of \$3,933,000. These increases resulted primarily from (i) commencement, on October 5, 2001, of the ground lease with IKEA at the Paramus property, and (ii) an increase in occupancy at the Kings Plaza Regional Shopping Center.

General and administrative expenses were \$5,169,000 in the quarter ended June 30, 2002, compared to \$848,000 in the prior year's quarter, an increase of \$4,321,000 and \$6,034,000 for the six months ended June 30, 2002, compared to \$1,716,000 for the six months ended June 30, 2001 an increase of \$4,318,000. These increases resulted primarily from stock appreciation rights compensation expense of \$4,236,000 based on the Company's closing stock price of \$76.80 at June 30, 2002.

[Table of Contents](#)

Interest and debt expense was \$6,156,000 in the quarter ended June 30, 2002, compared to \$4,728,000 in 2001, an increase of \$1,428,000 and \$12,734,000 for the six months ended June 30, 2002, compared to \$9,244,000 for the six months ended June 30, 2001, an increase of \$3,490,000. This resulted primarily from (i) \$108,000,000 in additional mortgage borrowings from refinancing the Kings Plaza property on June 1, 2001, and (ii) a \$68,000,000 mortgage loan on the Paramus property obtained on October 5, 2001. The increase in interest expense resulting from higher average borrowings was partially offset by a decrease in average interest rates from 9.71% to 8.43%.

Interest and other income was \$535,000 in the quarter ended June 30, 2002, compared to \$428,000 in the prior year's quarter, an increase of \$107,000 and \$1,202,000 for the six months ended June 30, 2002, compared to \$791,000 for the six months ended June 30, 2001, an increase of \$411,000. These increases resulted primarily from higher invested cash balances attributable to the refinancing of the Kings Plaza and the new mortgage loan on the Paramus property.

Liquidity and Capital Resources

In the aggregate, Alexander's operating properties do not generate sufficient cash flow to pay all of its expenses. As rents commence from the Lexington Avenue property (currently under development) the Company expects that cash flow will become positive.

The development plans at Lexington Avenue consist of a 1.3 million square foot multi-use building. The building will contain 175,000 net rentable square feet of retail (45,000 square feet of which has been leased to Hennes & Mauritz), 880,000 net rentable square feet of office (690,000 square of which has been leased to Bloomberg L.P.) and 230,000 net sellable square feet of residential consisting of condominium units (through a taxable REIT subsidiary). Construction is expected to be completed in 2004. On July 3, 2002 the Company finalized a \$490,000,000 loan with HVB Real Estate Capital (Hypo Vereinsbank) to finance the construction of the Lexington Avenue property (the "Construction Loan"). The estimated construction costs in excess of the construction loan of approximately \$140,000,000 will be provided by the Company. The Construction Loan has an interest rate of LIBOR plus 2.5% (currently 4.36%) and a term of forty-two months subject to two one-year extensions. The Company received an initial funding of \$55,500,000 under the Construction Loan of which \$25,000,000 was used to repay the Company's term loan to a bank in the amount of \$10,000,000 and a secured note in the amount of \$15,000,000. Of the total construction budget of \$630,000,000, \$85,000,000 has been spent to date and an additional \$185,000,000 has been committed to. There can be no assurance that the Lexington Avenue project ultimately will be completed, completed on time or completed for the budgeted amount. Further, the Company may need additional financing for the project, which may involve equity, debt, joint ventures and asset sales, and which may involve arrangements with Vornado Realty Trust. If the project is not completed on a timely basis, the Bloomberg L.P. lease may be cancelled and significant penalties may apply. See Vornado "Completion Guarantee" described below.

In conjunction with the closing of the Lexington Avenue construction loan on July 3, 2002, the Lexington Avenue management and development agreement was amended to provide for a term lasting until substantial completion of the property, with automatic renewals, and for the payment of the development fee upon the earlier of January 3, 2006 or the payment in full of the construction loan encumbering the property. Vornado has also agreed to guarantee among other things, the lien free, timely completion of the construction of the project, and funding of project costs in excess of a stated loan budget, if not funded by the Company (the "Completion Guarantee"). The \$6,300,000 estimated fee payable by the Company to Vornado is 1% of construction costs (as defined) and is due at the same time that the development fee is due. In addition, if Vornado should advance any funds under the Completion Guarantee in excess of the \$26,000,000 currently available under the secured line of credit, interest on those advance is at 15% per annum.

The Company's debt instruments, consisting of mortgage loans secured by its properties (which are generally non-recourse to the Company), contain customary covenants requiring the Company to maintain insurance. There can be no assurance that the lenders under these instruments will not take the position that an exclusion from all risk insurance coverage for losses due to terrorist acts is a breach of these debt instruments that allows the lenders to declare an event of default and accelerate repayment of debt. In addition, if lenders insist on coverage for these risks, it could adversely affect the Company's ability to finance and/or refinance its properties, including the construction of its Lexington Avenue development property.

At June 30, 2002, \$26,000,000 was available under the secured line of credit with Vornado.

[Table of Contents](#)

On May 8, 2002 the Company entered into an agreement to sell its Third Avenue property located in the Bronx, New York for \$15,000,000 which would result in a gain of approximately \$10,800,000. This sale is expected to be completed during the third quarter of this year. The Company has received a non-refundable deposit of \$750,000 from the purchaser. This agreement is conditional and there can be no assurance it will be consummated.

On May 30, 2002 the Company entered into an agreement to sell its subsidiary which owns the building and has the ground lease for its property in Flushing, New York for \$18,800,000 which would result in a gain of approximately \$15,800,000. The Company has received a non-refundable deposit of \$1,300,000 from the purchaser. This sale is expected to be completed during the third quarter of this year.

The Company estimates that the fair market values of its assets are substantially in excess of their historical cost. The Company continues to evaluate its needs for capital which may be raised through (a) property specific or corporate borrowing, (b) the sale of securities and (c) other asset sales. Although there can be no assurance, the Company believes that these cash sources will be adequate to fund cash requirements until its operations generate adequate cash flow.

Cash Flows

Six Months Ended June 30, 2002

Net cash provided by operating activities of \$681,000 was comprised of (i) net income of \$2,398,000 (including income from discontinued operations of \$177), (ii) non-cash items of \$6,394,000, offset by the net change in operating assets and liabilities of \$8,111,000. The adjustments for non-cash items are comprised of (i) depreciation and amortization of \$3,682,000, (ii) compensation expense of \$4,236,000, offset by (iii) the effect of straight-lining of rental income of \$1,524,000.

Net cash used in investing activities of \$35,149,000 was caused by capital expenditures of \$34,903,000. The capital expenditures were primarily related to Lexington Avenue development.

Net cash used in financing activities of \$1,347,000, resulted primarily from debt payments of \$1,261,000.

Six Months Ended June 30, 2001

Cash provided by operating activities of \$1,872,000 was comprised of (i) net income of \$27,677,000 (includes income from discontinued operations of \$22,370,000), (ii) non-cash items of \$2,537,000, offset by (iii) gain on sale of Fordham Road property of \$19,026,000, (iv) extraordinary gain from early extinguishment of debt of \$3,534,000, and (v) the net change in operating assets and liabilities of \$5,782,000. The adjustments for non-cash items are comprised of (i) depreciation and amortization of \$4,222,000, offset by (ii) the effect of straight-lining of rental income of \$1,685,000.

Net cash provided by investing activities of \$140,000 (includes cash provided by discontinued operations of \$23,701,000) was comprised of (i) proceeds from the sale of Fordham Road property of \$23,701,000, and (ii) the release of restricted cash of \$11,243,000 offset by (iii) capital expenditures of \$19,131,000 and (iv) an increase in restricted cash of \$15,673,000. The capital expenditures were primarily comprised of (i) capitalized interest and other carrying costs of \$11,000,000, (ii) renovations to the Kings Plaza Regional Shopping Center of \$2,345,000, and (iii) excavation, foundation and predevelopment costs at Lexington Avenue of \$4,565,000.

Net cash provided by financing activities of \$89,382,000 resulted primarily from an increase in debt of \$232,685,000 partially offset by debt payments of \$138,168,000.

[Table of Contents](#)*Funds from Operations for the Three and Six Months Ended June 30, 2002 and 2001*

Funds used in operations was \$857,000 in the quarter ended June 30, 2002, compared to funds from operations of \$2,884,000 in the prior year's quarter, a decrease of \$3,741,000. Funds from operations was \$2,991,000 in the six months ended June 30, 2002, compared to \$6,614,000 in the prior year's six months, a decrease of \$3,623,000. Funds used in operations for the three months ended June 30, 2002 and funds from operations for the six months ended June 30, 2002, included stock appreciation rights compensation expense of \$4,236,000 based on the Company's closing stock price of \$76.80 at June 30, 2002. The following table reconciles net (loss) income to funds (used in) from operations:

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2002	2001	2002	2001
Net (loss) income	\$(1,133,000)	\$ 2,070,000	\$ 2,398,000	\$ 27,677,000
Gain on Sale of Fordham Road property	—	—	—	(19,026,000)
Extraordinary gain from early extinguishment of debt	—	—	—	(3,534,000)
Depreciation and amortization of real property	1,651,000	1,600,000	3,294,000	3,182,000
Straight-lining of property rentals for rent escalations	(780,000)	(786,000)	(1,524,000)	(1,685,000)
Leasing fees paid in excess of expense recognized	(595,000)	—	(1,177,000)	—
	<u>\$ (857,000)</u>	<u>\$ 2,884,000</u>	<u>\$ 2,991,000</u>	<u>\$ 6,614,000</u>

Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs, which is disclosed in the Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of funds from operations. Funds from operations should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers funds from operations a relevant supplemental measure of operating performance because it provides a basis for comparison among REITs; however, funds from operations may not be comparable to similarly titled measures reported by other REITs since the Company's method of calculating funds from operations is different from that used by the National Association of Real Estate Investment Trusts ("NAREIT"). Funds from operations, as defined by NAREIT, represents net income before depreciation and amortization, extraordinary items and gains or losses on sales of real estate. Funds from operations as disclosed above has been modified to adjust for the effect of straight-lining of property rentals for rent escalations and leasing fee expenses paid directly to Vornado Realty Trust.

Below are the cash flows provided by (used in) operating, investing and financing activities:

	For The Six Months Ended June 30,	
	2002	2001
Operating activities	\$ 681,000	\$ 1,872,000
Investing activities	\$ (35,149,000)	\$ 140,000
Financing activities	\$ (1,347,000)	\$ 89,382,000

Recently Issued Accounting Standards

In April 2002, FASB issued SFAS No. 145, *Rescission of FASB Statement No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Correction*. SFAS No. 145 rescinds SFAS No. 4, *Reporting Gains and Losses from Extinguishment of Debt*, SFAS No. 44, *Accounting for Intangible Assets of Motor Carriers*, and SFAS No. 64, *Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements*. SFAS No. 145 requires, among other things, (i) that the modification of a lease that results in a change of the classification of the lease from capital to operating under the provisions of SFAS No. 13 be accounted for as a sale-leaseback transaction and (ii) the reporting of gains or losses from the early extinguishment of debt as extraordinary items only if they met the criteria of Accounting Principles Board Opinion No. 30, *Reporting the Results of Operations*. The rescission of SFAS No. 4 is effective January 1, 2003. The amendments of SFAS No. 13 are effective for transactions occurring on or after May 15, 2002. The rescissions of SFAS No. 44 and 64 and the amendments of SFAS No. 13 did not have an impact on the Company's financial statements.

In July 2002, FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (effective January 1, 2003). SFAS No. 146 replaces current accounting literature and requires the recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. The Company does not believe the adoption of SFAS No. 146 will have a material effect on the Company's financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

At June 30, 2002, the Company had \$144,000,000 of variable rate debt at a weighted average interest rate of 11.17% and \$370,570,000 of fixed rate debt bearing interest at a weighted average interest rate of 7.13%. A one percent increase in the base used to determine the interest rate of the variable rate debt would result in a \$1,440,000 decrease in the Company's annual net income (\$.29 per basic and diluted share).

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Other than routine proceedings incidental to their businesses, neither the Company nor any of its subsidiaries is a party to, nor is their property the subject of, any material pending legal proceeding. The Company believes that these legal actions will not be material to the Company's financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

On May 29, 2002, the Company held its annual meeting of stockholders. The stockholders voted, in person or by proxy, for the election of the three nominees to serve on the Board of Directors for a term of three years, or until their respective successors are duly elected and qualified. The three nominees were approved. The results of the voting are shown below:

Election of Directors:

Directors	Votes Cast For	Votes Withheld
David Mandelbaum	4,873,284	20,901
Richard West	4,873,234	20,951
Neil Underberg	4,873,384	20,801

Because of the nature of the matters voted upon, there were no abstentions or broker non-votes.

Item 5. Other Information

Effective June 6, 2002, Joseph Macnow has resumed the position of Chief Financial Officer of Alexander's. Patrick Hogan, the former Chief Financial Officer has assumed other responsibilities at Vornado Realty Trust, the manager of Alexander's.

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits required by Item 601 of Regulation of S-K are filed herewith and are listed in the attached Exhibit Index.
- (b) Reports on Form 8-K

During the quarter ended June 30, 2002, the Company did not file any reports on Form 8-K.

SIGNATURES

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

ALEXANDER'S, INC

(Registrant)

/s/ Joseph Macnow

Joseph Macnow,
Executive Vice-President and Chief Financial Officer

Date: August 7, 2002

EXHIBIT INDEX

The following is a list of all exhibits filed as part of the Report:

<u>Exhibit No.</u>		<u>Page</u>
3(i)	— Certificate of Incorporation, as amended. Incorporated herein by reference from Exhibit 3.0 to the Registrant's Current Report on Form 8-K dated September 21, 1993.	*
3(ii)	— By-laws, as amended. Incorporated herein by reference from Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2000.	*
10(i)(A)(1)	— 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	
10(i)(A)(2)	— 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	
10(i)(B)(1)	— Amended and Restated Credit Agreement dated July 3, 2002 between 59 th Street Corporation and Vornado Lending, LLC (evidencing \$40,000,000 of debt on which 59 th Street Corporation became the direct borrower)	
10(i)(B)(2)	— Credit Agreement, dated July 3, 2002, between Alexander's Inc. and Vornado Lending L.L.C. evidencing a \$20,000,000 loan	
10(i)(B)(3)	— Amended and Restated Credit Agreement, dated July 3, 2002, between Alexander's Inc. and Vornado Lending L.L.C. evidencing a \$50,000,000 line of credit facility (of which \$24,000,000 has been advanced)	
10(i)(B)(4)	— Credit Agreement, dated July 3, 2002, between Alexander's Inc. and Vornado Lending L.L.C. evidencing a \$35,000,000 loan	
10(i)(C)	— Building Loan Agreement, dated as of July 3, 2002, by and between 731 Commercial LLC and 731 Residential LLC, collectively as Borrower, and Bayerische Hypo-und Vereinsbank AG, New York Branch, as Agent for the Lenders	
10(i)(C)(1)	— Project Loan Agreement, dated as of July 3, 2002, by and between 731 Commercial LLC and 731 Residential LLC, collectively as Borrower, and Bayerische Hypo-und Vereinsbank AG, New York Branch, as Agent for the Lenders	
10(i)(C)(2)	— Supplemental Loan Agreement, dated as of July 3, 2002, by and between 731 Commercial LLC and 731 Residential LLC, collectively as Borrower, and Bayerische Hypo-und Vereinsbank AG, New York Branch, as Agent for the Lenders	
(10)(i)(C)(3)	— Consolidated, Amended and Restated Building Loan Mortgage, dated as of July 3, 2002, by and between 731 Commercial LLC and 731 Residential LLC, collectively as Borrower, and Bayerische Hypo-und Vereinsbank AG, New York Branch, as Agent for the Lenders	

* Incorporated by reference

Table of Contents

Exhibit No.		Page
10(i)(C)(4)	— Consolidated, Amended and Restated Building Loan Note, dated as of July 3, 2002 by and between 731 Commercial LLC and 731 Residential LLC, collectively as Borrower, and Bayerische Hypo-und Vereinsbank AG, New York Branch, as Agent for the Lenders	
10(i)(C)(5)	— Guaranty of Completion, dated as of July 3, 2002, executed by Vornado Realty L.P. for the benefit of Bayerische Hypo-und Vereinsbank AG, New York Branch, as Agent for the Lenders	
10(i)(C)(6)	— Guaranty of Carry Obligations, dated as of July 3, 2002, executed by Alexander's, Inc. for the benefit of Bayerische Hypo-und Vereinsbank AG, New York Branch, as Agent for the Lenders	
10(i)(C)(7)	— Environmental Indemnity Agreement, dated as of July 3, 2002, executed by Alexander's, Inc., 731 Residential LLC and 731 Commercial LLC in favor of Bayerische Hypo-und Vereinsbank AG, New York Branch, as Agent for the Lenders	
10(i)(C)(8)	— 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.	
10(i)(D)	— Amended, Restated and Consolidated Mortgage and Security Agreement, dated May 12, 1999, between The Chase Manhattan Bank, as mortgagee, and Alexander's Rego Shopping Center Inc., as mortgagor. Incorporated herein by reference from Exhibit 10(i)(E) to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2000.	*
10(i)(E)(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 Form 10-K for the fiscal year ended July 25, 1992.	*
10(i)(E)(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 Form 10-K for the fiscal year ended December 31, 1994.	*
10(i)(E)(3)	— Amendment to Real Estate Retention Agreement, dated as of July 3, 2002, by and between Alexander's, Inc. and Vornado Realty, L.P.	
10(i)(E)(4)	— 59 th 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	
10(i)(F)(1)	— 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.	
10(i)(F)(2)	— 59 th Street Management and Development Agreement, dated as of July 3, 2002, by and between 731 Commercial LLC and Vornado Management Corp.	
10(i)(F)(3)	— Kings Plaza Management Agreement, dated as of May 31, 2001, by and between Alexander's Kings Plaza LLC and Vornado Management Corp.	

* Incorporated by reference

Table of Contents

Exhibit No.		Page
10(ii)(A)(3)	— Agreement of Lease for Rego Park, Queens, New York, between Alexander’s, Inc. and Sears Roebuck & Co. Incorporated herein by reference from Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1994.	*
10(ii)(A)(4)	— Lease for Roosevelt Avenue, Flushing, New York, dated as of December 1, 1992, between the Company, as landlord, and Caldor, as tenant. Incorporated herein by reference from Exhibit (ii)(E)(7) to the Registrant’s Form 10-K for the fiscal year ended July 25, 1992.	*
10(ii)(A)(4)	— First Amendment to Sublease for Roosevelt Avenue, Flushing, New York, dated as of February 22, 1995 between the Company, as sublandlord, and Caldor, as tenant. Incorporated herein by reference from Exhibit 10(ii)(A)(8)(b) to the Registrant’s Form 10-K for the fiscal year ended December 31, 1994.	*
10(ii)(A)(5)	— Lease Agreement, dated March 1, 1993 by and between the Company and Alex Third Avenue Acquisition Associates. Incorporated by reference from Exhibit 10(ii)(F) to the Registrant’s Form 10-K for the fiscal year ended July 31, 1993.	*
10(ii)(A)(6)	— Agreement of Lease for Rego Park, Queens, New York, between the Company and Marshalls of Richfield, MN., Inc., dated as of March 1, 1995. Incorporated herein by reference from Exhibit 10(ii)(A)(12)(a) to the Registrant’s Form 10-K for the fiscal year ended December 31, 1994.	*
10(ii)(A)(7)	— Guaranty, dated March 1, 1995, of the Lease described in Exhibit 10(ii)(A)(6)(a) above by the Company. Incorporated herein by reference from Exhibit 10(ii)(A)(12)(b) to the Registrant’s Form 10-K for the fiscal year ended December 31, 1994.	*
10(iii)(B)	— Employment Agreement, dated February 9, 1995, between the Company and Stephen Mann. Incorporated herein by reference from Exhibit 10(iii)(B) to the Registrant’s Form 10-K for the fiscal year ended December 31, 1994.	*
10(iv)(A)	— Registrant’s Omnibus Stock Plan, as amended, dated May 28, 1997. Incorporated herein by reference from Exhibit 10 to the Registrant’s Form 10-Q for the fiscal quarter ended June 30, 1997.	*
10(v)(A)(1)	— Amended and Restated Consolidated Mortgage and Security Agreement dated as of May 31, 2001 among Alexander’s Kings Plaza L.L.C. as mortgagor, Alexander’s of King L.L.C., as mortgagor and Kings Parking L.L.C., as mortgagor, collectively borrower, to Morgan Guaranty Trust Company of New York, as mortgagee. Incorporated herein by reference from Exhibit 10(v) A1 to the Registrant’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001.	*
10(v)(A)(2)	— Amended, Restated and Consolidated Promissory Note, dated as of May 31, 2001 by and between Alexander’s Kings Plaza L.L.C., Alexander’s of Kings L.L.C. and Kings Parking L.L.C., collectively borrower, and Morgan Guaranty Trust Company of New York, lender. Incorporated herein by reference from Exhibit 10(v) A2 to the Registrant’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001.	*

* Incorporated by reference

[Table of Contents](#)

Exhibit No.		Page
10(v)(A)(3)	— Cash Management Agreement dated as of May 31, 2001 by and between Alexander’s Kings Plaza L.L.C., Alexander’s of Kings L.L.C. and Kings Parking L.L.C., collectively borrower, and Morgan Guaranty Trust Company of New York, lender. Incorporated herein by reference from Exhibit 10(v) A3 to the Registrant’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001.	*
10(v)(A)(4)	— Note modification and Severance Agreement dated as of November 26, 2001, between Alexander’s Kings Plaza L.L.C., Alexander’s of Kings L.L.C. and Kings Parking L.L.C., collectively borrower and JP Morgan Chase Bank of New York, lender. Incorporated herein by reference from Exhibit 10(v)(A)(4) to the Registrant’s Form 10-K for the fiscal year ended December 31, 2001.	*
10(v)(B)(1)	— 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 fiscal quarter ended June 30, 2001.	*
10(v)(B)(2)	— First Amendment of Lease, dated as of April 19, 2002, between Seven Thirty One Limited Partnership, landlord and Bloomberg L.P., tenant	
10(v)(C)(1)	— Loan Agreement dated as of October 2, 2001 by and between ALX of Paramus LLC, as borrower, and SVENSKA HANDELSBANKEN AB (publ), as lender. Incorporated herein by reference from Exhibit 10(v)(C)(1) to the Registrant’s Form 10-K for the fiscal year ended December 31, 2001.	*
10(v)(C)(2)	— Mortgage, Security Agreement and Fixture Financing Statement dated as of October 2, 2001 by and between ALX of Paramus LLC, as borrower, and SVENSKA HANDELSBANKEN AB (publ), as lender. Incorporated herein by reference from Exhibit 10(v)(C)(2) to the Registrant’s Form 10-K for the fiscal year ended December 31, 2001.	*
10(v)(C)(3)	— Environmental undertaking letter dated as of October 2, 2001 by and between ALX of Paramus LLC, as borrower, and SVENSKA HANDELSBANKEN AB (publ), as lender. Incorporated herein by reference from Exhibit 10(v)(C)(3) to the Registrant’s Form 10-K for the fiscal year ended December 31, 2001.	*
10(v)(C)(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 Form 10-K for the fiscal year ended December 31, 2001.	*

* Incorporated by reference

LIMITED LIABILITY COMPANY AGREEMENT
FOR
731 RESIDENTIAL LLC,
A DELAWARE LIMITED LIABILITY COMPANY
(RESIDENTIAL PARCEL)

This Limited Liability Company Agreement ("AGREEMENT") of 731 RESIDENTIAL LLC, a Delaware limited liability company (the "COMPANY") is made as of and is effective the 3rd day of July, 2002, by 731 Residential Holding LLC, a Delaware limited liability company, as the sole member ("MEMBER"), Domenic A. Borriello (in his capacity as the initial "INDEPENDENT MANAGER 1"), and Kim E. Lutthans (in her capacity as the initial "INDEPENDENT MANAGER 2").

RECITALS

A. A Certificate (as hereinafter defined) for the Company was executed and delivered on May 31, 2002 and filed on June 3, 2002 with the Secretary of State of the State of Delaware, thereby forming the Company as a limited liability company pursuant to the provisions of the Act (as hereinafter defined).

B. The Member, Special Member 1 and Special Member 2 wish to operate the Company in accordance with the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein (the receipt and sufficiency of which are acknowledged by each party hereto), the parties hereto, intending to be legally bound, do hereby agree as follows:

1. DEFINITIONS.

When used in this Agreement, the following terms shall have the meanings set forth below (terms used in this Agreement that are not defined in this Article 1 shall have the meanings set forth elsewhere in this Agreement or in Section 18-101 of the Act):

1.1 "ACT" shall mean the Delaware Limited Liability Company Act (6 Del. C. Section 18-101, et. seq.), as the same may be amended from time to time.

1.2 "AFFILIATE" shall mean a Person or Persons directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with the Person or Persons in question. The term "control", as used in the immediately preceding sentence, shall mean, with respect to a Person that is a corporation, the right to exercise, directly or indirectly, more than 20% of the voting rights attributable to the shares of the controlled corporation and, with respect to a Person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled Person.

1.3 "AGREEMENT" shall mean this Limited Liability Company Agreement for 731 Residential LLC, as originally executed and as amended from time to time.

1.4 "ALEXANDER'S" shall mean Alexander's, Inc., a Delaware corporation.

1.5 "ALEXANDER'S REIMBURSEMENT AGREEMENT" shall have the meaning provided in the Loan Agreement.

1.6 "BANKRUPTCY ACTION" shall have the meaning set forth in Section 2.6(d) hereof.

1.7 "BOARD OF MANAGERS" shall have the meaning set forth in Section 5.5 hereof.

1.8 "CAPITAL CONTRIBUTION" shall mean the total of cash and other assets contributed to the Company by the Member.

1.9 "CERTIFICATE" shall mean the Certificate of Formation of the Company, executed and delivered on May 31, 2002 and filed with the Secretary of State of the State of Delaware on June 3, 2002 (which is hereby ratified and approved in all respects), as amended from time to time.

1.10 "CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time, the provisions of succeeding law, and to the extent applicable, the Regulations.

1.11 "COMMERCIAL SPE" shall mean 731 Commercial LLC, a Delaware limited liability company.

1.12 "COMPANY" shall mean 731 Residential LLC, a Delaware limited liability company.

1.13 "DISTRIBUTABLE CASH" shall mean the amount of cash which the Principal Manager deems available for distribution, taking into account all Company debts, liabilities, and obligations then due (including, without limitation, the Loan) and amounts necessary to place into reserves for customary and usual claims with respect to the Company's business.

1.14 "FISCAL YEAR" shall mean the Company's fiscal year, which shall be the calendar year.

1.15 "GUARANTIES" shall have the meaning provided in the Loan Agreement.

1.16 "INDEPENDENT MANAGER" shall have the meaning given to that term in Section 2.6(c) hereof.

1.17 "INDEPENDENT MANAGER 1" shall mean the person from time to time appointed by the Member as an Independent Manager who shall be designated by the Member as "Independent Manager 1".

1.18 "INDEPENDENT MANAGER 2" shall mean the person from time to time appointed by the Member as an Independent Manager who shall be designated by the Member as "Independent Manager 2".

1.19 "LENDER" shall mean Bayerische Hypo- und Vereinsbank AG and other co-lenders that hold an interest in the Loan to Company together with any of their successors and assigns, each during such time as it is the holder of such interest.

1.20 "LOAN" shall mean the loan in the original principal amount of \$490,000,000 made by Lender to Company and Commercial SPE or any loan made for the purposes of refinancing such loan or any portion thereof.

1.21 "LOAN AGREEMENT" shall mean the loan agreements between Lender, Company and Commercial SPE pursuant to which the Loan is made.

1.22 "LOAN DOCUMENTS" shall mean any and all documentation in connection with the Loan, as amended from time to time, and any other agreement to be entered into in connection with such documents and any financing documents in replacement thereof to be entered into by the Company and Commercial SPE in connection with the acquisition and ownership of the Property, including, without limitation, the documents listed on Schedule 1.22 attached hereto and incorporated herein.

1.23 "MEMBER" shall mean 731 Residential Holding LLC, a Delaware limited liability company, in its capacity as a member of the Company, or any other Person that succeeds Member in that capacity. A "Special Member" is not a "Member" as that term is used in this Agreement.

1.24 "MEMBERSHIP INTEREST" shall mean all of the Member's right, title and interest in, to and against the Company, including rights to Distributable Cash of the Company, and all other rights of the Member to participate in the business, affairs and management of the Company, including without limitation, the right to vote on or grant consent or approval with respect to matters coming before the Company.

1.25 "NET PROFITS" and "NET LOSSES" shall mean the net profits and net losses of the Company for a period (or from a transaction) as determined in accordance with generally accepted accounting principles, consistently applied.

1.26 "PERCENTAGE INTEREST" shall mean the limited liability interest in the Company expressed as a percentage of the total limited liability interests outstanding. The Percentage Interest of the Member is 100.00%.

1.27 "PERMITTED INDEBTEDNESS" shall mean the Loan and the other indebtedness of the Company that is permitted under the Loan Documents.

1.28 "PERSON" shall mean any individual, sole proprietorship, corporation, general partnership, limited partnership, limited liability company or partnership, joint venture, association, joint stock company, bank, trust, estate, unincorporated organization, any federal,

state, county or municipal government (or any agency or political subdivision thereof), endowment fund or any other form of entity.

1.29 "PRINCIPAL MANAGER" shall mean Member, who is appointed as a manager within the meaning of the Act, except to the extent that the Board of Managers is provided with management responsibility pursuant to Section 5.3.

1.30 "PROPERTY" shall mean that certain real property (together with improvements, fixtures, and other appurtenances thereto) commonly known as the residential parcel at 731 Lexington Avenue, in the City of New York, County of New York, State of New York, as more specifically set forth on Schedule 1.30 attached hereto and incorporated herein.

1.31 "REGULATIONS" shall, unless the context clearly indicates otherwise, mean the regulations currently in force as final or temporary that have been issued by the U.S. Department of Treasury pursuant to its authority under the Code.

1.32 "SPECIAL MEMBER 1" shall mean the Independent Manager 1 in his capacity as Special Member.

1.33 "SPECIAL MEMBER 2" shall mean the Independent Manager 2 in his capacity as Special Member.

1.34 "VORNADO" shall mean Vornado Realty L.P., a Delaware limited partnership.

1.35 "VORNADO REIMBURSEMENT AGREEMENT" shall have the meaning provided in the Loan Agreement.

1.36 "VACANCY" shall have the meaning set forth in Section 5.6 hereof.

2. ORGANIZATIONAL MATTERS.

2.1 FORMATION AND CONTINUATION. Larry Portal, is hereby designated as an "authorized person" within the meaning of the Act, and has executed, delivered and filed the Certificate of the Company with the Secretary of State of the State of Delaware and the qualification to do business in the State of New York. Upon the filing of the Certificate of the Company with the Secretary of State of the State of Delaware and the qualification to do business in the State of New York, his powers as an "authorized person" ceased, and the Member thereupon became the designated "authorized person" within the meaning of the Act. The Member shall execute, deliver and file any other certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in any jurisdiction (other than the State of New York) in which the Company may wish to conduct business.

2.2 NAME. The name of the Company shall be "731 RESIDENTIAL LLC". The business of the Company may be conducted under that name or, upon compliance with applicable laws, any other name that Member deems appropriate or advisable. The Principal Manager shall qualify the Company to do business in the State of New York and shall file any qualification instruments and fictitious name certificates and similar filings, and any amendments

thereto, as necessary to qualify the Company to conduct business in the State of New York or which Principal Manager otherwise considers appropriate or advisable in accordance with Section 5 of this Agreement. Notwithstanding the foregoing, for so long as any obligation to Lender under the Loan remains outstanding the Company shall maintain the name "731 RESIDENTIAL LLC".

2.3 TERM. The term of the Company and this Agreement shall commence from the date of filing of the Certificate with the Secretary of State of the State of Delaware as aforesaid and shall continue until the dissolution of the Company pursuant to Section 9.1 hereof.

2.4 REGISTERED OFFICE; REGISTERED AGENT; PRINCIPAL OFFICE. The Company shall continuously maintain a registered office and registered agent in the State of Delaware as required by the Act. The registered office and registered agent of the Company in Delaware are c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, County of New Castle. In addition, the Company shall maintain its principal office at c/o Alexander's, Inc., 888 Seventh Avenue, New York, New York 10019, or at such other place as Principal Manager may determine. The registered office, registered agent and principal office of the Company may be changed at any time and from time to time by Principal Manager.

2.5 ADDRESS OF MEMBER. The address of Member as the sole Member as of the date of this Agreement is c/o Alexander's, Inc., 888 Seventh Avenue, New York, New York 10019, Attention: Chief Executive Officer. Any successor Member who is admitted shall notify the Member and the Company of its address upon admission to the Company as a Member. The Member may change its address at any time by notice given to the Company.

2.6 PURPOSE OF COMPANY.

(a) The purpose of the Company is limited solely to owning, holding, managing, developing, leasing, operating and disposing of the Property, entering into the Loan Documents, refinancing the Property in connection with a permitted repayment or refinancing of the Loan, and transacting any and all lawful business that is incident, necessary and appropriate to accomplish the foregoing.

(b) Notwithstanding any other provision of this Agreement to the contrary (but subject to Section 2.6(d)), the Company shall not do any of the following, so long as any obligation of the Company to the Lender under Loan is outstanding:

(1) the Company will not engage in any business or activity other than as expressly set forth under the heading "Purpose of Company" in Section 2.6(a) of this Agreement.

(2) the Company will not acquire or own any material assets other than (i) the Property, and (ii) such incidental personal property as may be necessary for the ownership, construction, management and operation of the Property.

(3) the Company will maintain books, financial records and bank accounts (including checking and other bank accounts and custodian and other securities safekeeping accounts) that are separate and distinct from the books, financial records and bank accounts of any other person or entity; provided that it may have a joint bank account with Commercial SPE as co-borrower under the Loan.

(4) the Company will maintain books, financial records and bank accounts in a manner so that it will not be difficult or costly to segregate, ascertain and otherwise identify the assets and liabilities of the Company.

(5) the Company will not commingle any of its assets, funds, liabilities or business functions with the assets, funds, liabilities or business functions of any other person or entity (other than (i) Commercial SPE (a) as co-borrower under the Loan and (b) as co-obligor to Alexander's, Inc. under the Alexander's Reimbursement Agreement for the reimbursement of payments under the Guaranties and (ii) Alexander's and Commercial SPE as co-obligors to Vornado under the Vornado Reimbursement Agreement for the reimbursement of payments under the Guaranties).

(6) the Company will observe all appropriate limited liability company procedures and formalities.

(7) the Company will pay its own liabilities, losses and expenses only out of its own funds (except to the extent otherwise permitted or provided for under (i) the Loan Documents, (ii) the Vornado Reimbursement Agreement for reimbursement of payments under the Guaranties and (iii) Alexander's Reimbursement Agreement for reimbursement of payments under the Guaranties).

(8) subject to clause (9) below, the Company will maintain separate annual financial statements prepared in accordance with generally accepted accounting principles, consistently applied, showing its assets and liabilities separate and distinct from those of any other person or entity.

(9) in the event the financial statements of the Company are consolidated with the financial statements of any other entity, then in addition to maintaining separate financial statements as required above, the Company will cause to be included in such consolidated financial statements a note stating that "the Company is a separate entity that has separate assets and liabilities as shown on the Company's separate financial statement".

(10) the Company will pay or bear the cost of the preparation of its financial statements, and have such financial statements audited by a certified public accounting firm that is not affiliated with the Company or its affiliates.

(11) the Company will not guarantee or become obligated for the debts or obligations of any other entity or person (other than (i) Commercial SPE (a) as co-borrower under the Loan and (b) as co-obligor to Alexander's under the Alexander's Reimbursement Agreement for the reimbursement of payments under the Guaranties and (ii) Alexander's and

Commercial SPE as co-obligors to Vornado under the Vornado Reimbursement Agreement for the reimbursement of payments under the Guaranties).

(12) the Company will not hold out its credit as being available to satisfy the debts or obligations of any other person or entity (other than (i) Commercial SPE (a) as co-borrower under the Loan and (b) as co-obligor to Alexander's under the Alexander's Reimbursement Agreement for the reimbursement of payments under the Guaranties and (ii) Alexander's and Commercial SPE as co-obligors to Vornado under the Vornado Reimbursement Agreement for the reimbursement of payments under the Guaranties).

(13) the Company will hold itself out as an entity separate and distinct from any other person or entity (including its affiliates).

(14) the Company will correct any known misrepresentation or misunderstanding regarding its separate identity.

(15) the Company will use separate stationery, business cards, purchase orders, invoices, checks and the like bearing its own name to the extent it will use such items.

(16) the Company will maintain a sufficient number of employees or outside consultants in light of its contemplated business operations and pay their salaries out of its own funds (and the funds of Commercial SPE as co-borrower under the Loan).

(17) the Company will compensate all consultants, independent contractors, employees and agents from its own funds (or those of Commercial SPE as co-borrower under the Loan) for services provided to it by such consultants, independent contractors, employees and agents.

(18) the Company will, to the extent that the Company and any of its affiliates occupy any premises in the same location, allocate fairly, appropriately and nonarbitrarily any rent and overhead expenses among and between such entities with the result that each entity bears its fair share of all such rent and expenses.

(19) the Company will, to the extent that the Company and any of its affiliates share the same officers and other employees, allocate fairly, appropriately and nonarbitrarily any salaries and expenses to the extent actually incurred by such parties related to providing benefits to such officers and other employees between or among such entities, with the result that each such entity will bear its fair share of the salary and benefit costs associated with all such common or shared officers or other employees.

(20) the Company will, to the extent that the Company and any of its affiliates jointly contract or do business with vendors or service providers or share overhead expenses, allocate fairly, appropriately and nonarbitrarily any costs and expenses incurred in so doing between or among such entities, with the result that each such entity bears its fair share of all such costs and expenses.

(21) the Company will, to the extent the Company contracts or does business with vendors or service providers where the goods or services are wholly or partially for the benefit of its affiliates, allocate fairly, appropriately and nonarbitrarily any costs incurred in so doing to the entity for whose benefit such goods or services are provided, with the result that each such entity bears its fair share of all such costs.

(22) the Company will not make any loans to any person or entity or buy or hold any indebtedness issued by any other person or entity (except for cash and investment-grade securities and each of the permitted investments and exceptions expressly permitted by the Loan Documents).

(23) the Company will conduct its own business solely in its own name, through its duly authorized officers or agents.

(24) the Company will hold all of its assets in its own name (except for assets held jointly with Commercial SPE as co-borrower under the Loan).

(25) the Company will maintain an arm's-length like relationship with its affiliates and enter into transactions with affiliates only on terms at least as favorable to the Company as could be obtained at arm's length.

(26) the Company will not pledge its assets to secure the liabilities of any other person or entity (other than Commercial SPE as co-borrower under the Loan).

(27) the Company will not identify itself as a division or department of any other entity.

(28) the Company intends to maintain adequate capital in light of its contemplated business operations.

(29) the Company will conduct transactions between the Company and third parties in the name of the Company and as an entity separate and independent from its affiliates.

(30) the Company will cause representatives, employees and agents of the Company to hold themselves out to third parties as being representatives, employees or agents, as the case may be, of the Company.

(31) the Company will cause transactions and agreements between the Company, on the one hand, and any one or more of its affiliates, on the other hand (including transactions and agreements pursuant to which the assets or property of one is used or to be used by the other), to be entered into in the names of the entities that are parties to the transaction or agreement and to be formally documented in writing.

(32) the Company will cause the pricing and other material terms of all transactions and agreements described in the immediately preceding clause (29) above to be established by written agreement (by formula or otherwise) at the inception of the particular

transaction or agreement on terms at least as favorable to the Company as could be obtained at arm's length.

(33) the Company will not acquire or assume the obligations of its affiliates (other than (i) Commercial SPE (a) as co-borrower under the Loan and (b) as co-obligor to Alexander's under the Alexander's Reimbursement Agreement for the reimbursement of payments under the Guaranties and (ii) Alexander's and Commercial SPE as co-obligors to Vornado under the Vornado Reimbursement Agreement for the reimbursement of payments under the Guaranties).

(34) the Company will not form, hold, or acquire any subsidiary or own any other equity interest in any other Person except as expressly permitted in the Loan Documents.

(35) the Company will file any required tax returns and will make any required payments under applicable tax law.

(c) The Company shall at all times cause there to be at least two (2) duly appointed members of the Board of Managers who are independent managers (each an "INDEPENDENT MANAGER") who shall not have been or be at the time of such individual's appointment, or at any time while serving as an Independent Manager of the Company, and may not have been at any time during the preceding five (5) years preceding his or her appointment (A) a member (with the exception of serving as Special Member of the Company or Commercial SPE), shareholder, partner, director, manager (with the exception of serving as Independent Manager of the Company or Commercial SPE), officer or employee of Company, or of Member or any Affiliate of any of them; (B) a customer of, creditor of, or supplier or service provider (including professionals) to, Company or its Member or any of Company's or Member's members, shareholders, partners, or subsidiaries, or any Affiliate of any of them, if the revenues therefrom to such director account for any of such director's gross annual revenues; (C) a Person controlling any of the foregoing; (D) any other Person receiving a material portion of his or her compensation or other financial remuneration from, or who is otherwise financially dependent on, an officer, director or employee of Company or Member, or any of their Affiliates or an officer's, director's or employee's family member by blood or marriage or a business entity owned or controlled by any of the foregoing; or (E) a spouse, parent, sibling or child of any Person described by (A), (B), (C) or (D) above. A natural person who satisfies the foregoing definition other than subparagraph (B) shall not be disqualified from serving as an Independent Manager of the Company if such individual is an independent manager provided by a nationally-recognized company that provides professional independent managers and that also provides other corporate services in the ordinary course of its business. A natural person who otherwise satisfies the foregoing except for serving as an independent manager of a "special purpose" Affiliate that does not own a direct or indirect interest in the Company or Residential SPE shall not be disqualified from serving as an Independent Manager of the Company if such individual is at the time of initial appointment, or at any time while serving as a Independent Manager of the Company, an Independent Manager of a "special purpose entity" affiliated with the Company (other than any entity that owns a direct or indirect equity interest in the Company or Commercial SPE) if such individual is an independent manager provided by a nationally-

recognized company that provides professional independent managers. For purposes of this paragraph, a "special purpose entity" is an entity, whose organizational documents contain restrictions on its activities and impose requirements intended to preserve the Company's separateness that are substantially similar to those of the Company and provide, inter alia, that it: (a) is organized for the limited purpose of owning and operating one or more properties or is a member of an entity which is organized for the limited purpose of owning and operating one or more properties; (b) has restrictions on its ability to incur indebtedness, dissolve, liquidate, consolidate, merge and/or sell assets; (c) may not file voluntarily a bankruptcy petition on its own behalf or on behalf of such entity without the consent of the Independent Manager and (d) shall conduct itself and cause such entity to conduct itself in accordance with certain "separateness covenants", including, but not limited to, the maintenance of its and such entity's books, records, bank accounts and assets separate from those of any other person or entity. The initial Independent Managers shall be Domenic A. Borriello, initially designated as "Independent Manager 1", and Kim E. Lutthans, initially designated as "Independent Manager 2". As used in this Section 2.6 (c), the term "CONTROLLED" means 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.

(d) Notwithstanding any other provision of this Agreement (other than Section 2.6(f) below) or the Certificate or of law that otherwise so empowers Company, Company shall not take any of the following actions (w) without the consent of the Member, (x) without the vote or written consent of both members of the Board of Managers which are Independent Managers, (y) if one or more of the other members of the Board of Managers vote against or disapprove such actions, and (z) if the obligation of the Company to Lender under the Loan is outstanding, without the written consent of Lender: (i) to the fullest extent permitted by law, the dissolution, winding up, liquidation, consolidation, conversion to another form of business association or state of formation, or change in the legal structure of Company including, but not limited to, permitting the transfer of the limited liability company interests of any Member in whole or in part (if such transfer is restricted by the Loan Documents and, in such instance, a transfer may be made only in accordance with the Loan Documents), the merger of Company or the sale, transfer or other disposition of all or substantially all of the properties and assets of Company; (ii) the engagement by Company in any business other than the ownership, management, development, leasing, financing, maintenance and operation of the Property; or (iii) the amendment or modification of Sections 2.2, 2.3, 2.6, 4.2, 4.3, 4.8, 5.1, 5.2, 5.5, 5.6, 7, 8.1, 8.4, 8.5, 9.1, 9.6, 10, 11.10 and 11.13 or the defined terms referenced therein. Notwithstanding another provision of this Agreement or the Certificate or of law that otherwise so empowers Company, Company shall not take any of the following actions (w) without the consent of the Member, (x) without the vote or written consent of both members of the Board of Managers which are Independent Managers and (y) if one or more of the other members of the Board of Managers vote against or disapprove such actions: (A) the filing, or consent to the filing, of a bankruptcy, insolvency or reorganization case or proceeding; instituting any proceedings under any applicable insolvency law or otherwise seek any relief under the laws relating to the relief from debts or the protection of debtors generally; seeking or consenting to appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official for the Borrower or a substantial portion of its properties; making any assignment for the benefit of the Borrower's creditors; taking any action in furtherance of any of the foregoing

(collectively, "Bankruptcy Action") or (B) the amendment or modification of any provision of this Agreement (subject to the prior sentence of this Section 2.6(d)) or the Certificate; and any purported action of Company which violates this sentence shall be void ab initio and of no force or effect.

(e) The Company shall have no liabilities, contingent or otherwise, other than the Permitted Indebtedness.

(f) Notwithstanding any other provision of this Agreement or the Certificate or of law that otherwise so empowers Company, in the event that Commercial SPE shall take, or become subject to, a Bankruptcy Action, then, upon receiving written notice from Lender, all of the members of the Board of Managers (including both Independent Managers) shall take a vote on the commencement of a Bankruptcy Action with respect to the Company and shall vote, to the fullest extent permitted by law, as specifically directed and instructed by the Lender for so long as the obligation of the Company to Lender under the Loan is outstanding. If so directed by the Lender, the Company shall seek procedural consolidation of the bankruptcy proceedings of the Company and Commercial SPE.

(g) THE COMPANY ACKNOWLEDGES AND AGREES THAT THE LENDER WOULD NOT HAVE AGREED TO MAKE THE LOAN BUT FOR THE INCLUSION OF THE BANKRUPTCY CONTROL PROVISIONS SET FORTH IN SECTION 2.6(f) HEREIN. THE BANKRUPTCY CONTROL PROVISIONS CONTAINED IN THIS AGREEMENT ARE DESIGNED TO REFLECT THE AGREEMENT AND UNDERSTANDING OF THE TRANSACTION PARTIES WITH THE LENDER THAT THE LOAN TO THE COMPANY AND RESIDENTIAL SPE AS CO-BORROWERS IS A SINGLE TRANSACTION SECURED BY THE ENTIRE PROPERTY AND LENDER MADE THE LOAN IN RELIANCE ON ITS ABILITY TO REALIZE UPON THE BENEFIT OF SUCH AGREEMENT AND UNDERSTANDING.

3. CAPITAL CONTRIBUTIONS.

3.1 INITIAL CAPITAL CONTRIBUTION. Member has contributed the Property to the Company pursuant to that certain bargain and sale deed without covenant against grantor's acts dated July 3, 2002 (subject to all exceptions thereof) executed by Member in favor of Company.

3.2 ADDITIONAL CAPITAL CONTRIBUTIONS. Member may, but shall not be obligated to, contribute additional capital to the Company in such amounts and at such times as Member shall determine in its sole and absolute discretion.

3.3 NO INTEREST. Member shall not be entitled to receive interest on any Capital Contributions.

3.4 CAPITAL ACCOUNT. The Company shall establish and maintain a capital account for Member to which it shall credit the amount of its Capital Contributions and Net Profits of the Company from time to time and to which it shall charge such Member's share of distributions

and Net Losses. The initial capital account of Member shall be equal to the fair market value of the Property.

4. MEMBER.

4.1 LIMITED LIABILITY. Except as otherwise provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and neither the Member nor the Special Members shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a member of the Company.

4.2 ADMISSION OF ADDITIONAL MEMBERS. Except as contemplated by Section 4.8, no additional members shall be admitted to the Company, it being the intent of Member that the Company shall at all times be a single member limited liability company. Without the need for the consent of any Person, upon a transfer of the limited liability company interest in accordance with this Agreement, the transferee shall be deemed admitted as a Member of the Company upon the effective date of such transfer.

4.3 RESIGNATIONS. Member shall not resign as the member of the Company.

4.4 TRANSACTION WITH THE COMPANY. Subject to any limitations set forth in this Agreement, including without limitation, Section 2.6 hereof, Member may lend money to, act as a surety, guarantor or endorser for, guarantee or assume one or more obligations of, provide collateral for, and transact other business with the Company. Subject to this Agreement and applicable law, Member has the same rights and obligations with respect to any transaction with Company as a Person who is not a member or manager.

4.5 REMUNERATION TO MEMBER. Except as otherwise authorized in or pursuant to this Agreement, Member is not entitled to remuneration for acting on Company business.

4.6 VOTING RIGHTS. Except as expressly modified in this Agreement, Member shall have the voting, approval and consent rights provided in the Act.

4.7 MEETINGS OF THE MEMBER. No annual or regular meeting of Member is required.

4.8 SPECIAL MEMBER.

(a) Upon the occurrence of any event that causes the Member to cease to be a member of the Company (other than upon an assignment by the Member of all of its limited liability company interest in the Company and the admission of the transferee pursuant to Section 4.2 (a "MEMBER CESSATION EVENT")), Independent Manager 1 shall, without any action of any Person and simultaneously with the Member's ceasing to be a member of the Company, automatically be admitted to the Company as a member of the Company (in such capacity, a "SPECIAL MEMBER") and shall continue the Company without dissolution. If, however, at the time of a Member Cessation Event, Independent Manager 1 has died or is otherwise no longer able to step into the role of Special Member, then, in such event, Independent Manager 2 shall concurrently with the Member Cessation Event, and without any action of any Person and

simultaneously with the Member Cessation Event, automatically be admitted to the Company as Special Member and shall continue the Company without dissolution. It is the intent of these provisions that the Company never have more than one Special Member at any particular point in time.

(b) No Special Member may resign from the Company or transfer its rights as Special Member unless (i) a successor Special Member has been admitted to the Company as Special Member by executing a counterpart to this Agreement, and (ii) such successor has also accepted its appointment as Independent Manager pursuant to Section 2.6(c); provided, however, the Special Members shall automatically cease to be members of the Company upon the admission to the Company of a substitute Member appointed by the personal representative (as defined in the Act) of the last remaining Member who ceased to be a member of the Company. The Special Member shall be a member of the Company that has no interest in the profits, losses and capital of the Company and has no right to receive any distributions of Company assets. Pursuant to Section 18-301 of the Act, a Special Member shall not be required to make any capital contributions to the Company and shall not receive a limited liability company interest in the Company. A Special Member, in its capacity as Special Member, may not bind the Company. Except as required by any mandatory provisions of the Act, the Special Member, in its capacity as Special Member, shall have no right to vote on, approve or otherwise consent to any action by, or matter relating to, the Company, including, without limitation, the merger, consolidation or conversion of the Company. In order to implement the admission to the Company of each Special Member, each person acting as an Independent Manager pursuant to Section 2.6(c) shall execute a counterpart to this Agreement. Prior to its admission to the Company as Special Member, each person acting as an Independent Manager pursuant to Section 2.6(c) shall not be a member of the Company.

5. MANAGEMENT AND CONTROL OF THE COMPANY; LIMITED LIABILITY.

5.1 MANAGEMENT OF THE COMPANY BY PRINCIPAL MANAGER. The business, property and affairs of the Company shall be managed and all powers of the Company shall be exercised by or under the direction of Principal Manager except only for the powers granted to the Board of Managers under this Article 5. Principal Manager shall, on behalf of and in the name of the Company, and in addition to the general management obligations for the operation of the Company and the obligations of Principal Manager provided for elsewhere in this Agreement or by law, cause the Company to perform the obligations and otherwise comply with the requirements set forth in Section 2.6 of this Agreement. Principal Manager shall conduct the affairs of the Company in the best interest of the Company and Member, including the safekeeping and use of all Company funds for the benefit of the Company and Member.

5.2 POWERS WITH RESPECT TO MANAGEMENT OF THE COMPANY. Subject to the limitations set forth in Section 2.6 and in Section 5.3 or expressly provided elsewhere in this Agreement, Principal Manager shall have all necessary powers to manage and carry out the management of the Company and the power to sign contracts and obligations on behalf of the Company, including without limitation, the power to exercise on behalf and in the name of the Company all of the powers of a manager described in the Act. Notwithstanding any other provision of this Agreement, the Company, the Principal Manager, or the Member, on behalf of

the Company, may enter into and perform the Loan Documents, the Alexander's Reimbursement Agreement, the Reimbursement Documents (as defined in the Alexander's Reimbursement Agreement) in connection with the Alexander's Reimbursement Agreement, the Vornado Reimbursement Agreement and the Reimbursement Documents (as defined in the Vornado Reimbursement Agreement) in connection with the Vornado Reimbursement Agreement, without any further act, vote or approval. The Principal Manager is hereby authorized to enter into the Loan Documents, the Alexander's Reimbursement Agreement, the Reimbursement Documents in connection with the Alexander's Reimbursement Agreement, the Vornado Reimbursement Agreement and the Reimbursement Documents in connection with the Vornado Reimbursement Agreement on behalf of the Company. The foregoing authorization shall not be deemed a restriction on the power of the Principal Manager to enter into other agreements on behalf of the Company.

5.3 BOARD OF MANAGERS POWERS. Subject to the terms of the Act and as otherwise provided under this Section 5, the Company shall be managed by the Board of Managers to the extent, and only to the extent, of the matters described in Sections 2.6(d) and 2.6(f) hereof, and in accordance with Sections 2.6(d) and 2.6(f) hereof. Each member of the Board of Managers is hereby designated as a manager within the meaning of the Act but shall have only the rights and powers as are set forth in this Section 5.3 and shall not otherwise have the authority, acting alone or together, to bind the Company.

5.4 NUMBER OF MANAGERS. The authorized number of Persons constituting the Board of Managers shall initially be five (5). Subject to Section 5.5(a), the Member may change the number of Persons constituting the Board of Managers at any time.

5.5 ELECTION OF PERSONS TO BOARD OF MANAGERS.

(a) Subject to the requirement that at least two (2) of the members of the Board of Managers shall be Independent Managers, as defined in Section 2.6(c) hereof, Member may determine at any time in its sole and absolute discretion the number of members of the Board of Managers and whom to appoint as members of the Board of Managers. Subject to the provisions of the prior sentence, any member of the Board of Managers (including, without limitation, any Independent Manager) may be removed or expelled, with or without cause, at any time by Member, with or without notice.

(b) The following named persons shall be, and they hereby are, appointed as the initial members of the Board of Managers of the Company ("BOARD OF MANAGERS"), their terms of office to commence upon the acceptance of their appointment and to continue until the earlier of their resignation or removal by the Member or their respective successor(s) shall have been duly appointed and such successor(s) have accepted their appointment in accordance with this Article 5:

Steven Roth
Michael Fascitelli
Russell B. Wight, Jr.

Domenic A. Borriello (Independent Manager 1)
Kim E. Lutthans (Independent Manager 2)

5.6 VACANCIES ON BOARD OF MANAGERS. A vacancy ("VACANCY") on the Board of Managers shall be deemed to exist (i) if an appointed member of the Board of Managers dies or resigns, (ii) if an appointed member of the Board of Managers is convicted of a felony or any other crime punishable by imprisonment or declared of unsound mind by an order of court, in which case, without further action by any Person, such Person shall cease to be a member of the Board of Managers, or (iii) if, subject to the requirements of Section 2.6(c) hereof, an appointed member is removed or expelled, with or without cause, at any time by Member. A Vacancy on the Board of Managers shall be filled in accordance with the appointment procedure set forth in Section 5.5 hereof by Member.

5.7 BOARD OF MANAGERS MEETINGS. It shall be unnecessary for the Board of Managers to meet unless meeting to address and vote on the matters described under Sections 2.6(d) and 2.6(f) hereof. All Board of Managers meetings shall be held at the principal office of the Company. Such Board of Managers meetings shall be held on four (4) days' notice by mail or 48 hours' notice delivered personally or by telephone, including voice messaging system or other technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means. Notices hereunder shall be communicated to each member of the Board of Managers at the address, telephone number or electronic mail address shown on the Company's records. Notwithstanding anything to the contrary contained herein, any action required or permitted to be taken at any meeting of the Board of Managers may be taken without a meeting, if (x) both of the members of the Board of Managers which are Independent Managers consent thereto in writing to such action and (y) the other members of the Board of Managers do not raise any written objection thereto within five (5) days of being notified thereof in writing, and the consent or consents are filed with the minutes of proceedings of the Board of Managers.

5.8 QUORUM. It shall be necessary for all of the appointed members of the Board of Managers to be present in order to constitute a quorum for the transaction of business, and all of the appointed members of the Board of Managers must be present at any meeting of the Board of Managers in order for any act or decision made by the appointed members of the Board of Managers to be regarded as the official act of the Board of Managers. Even though a quorum is initially present, if the number of members of the Board of Managers present at a meeting is reduced to less than a quorum, no further business, except adjournment may be transacted at the meeting until a quorum is present. Members of the Board of Managers may participate in a meeting of the Board of Managers by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting. If all the participants are participating by conference telephone or similar communications equipment, the meeting shall be deemed to be held at the principal office of the Company.

5.9 PERFORMANCE OF DUTIES; LIABILITY OF PRINCIPAL MANAGER AND BOARD OF MANAGERS. None of the Principal Manager, the Member or any member of the Board of Managers shall be liable to Company for any loss or damage sustained by Company, unless the

loss or damage shall have been the result of an act performed, or omitted to be performed, in bad faith or with gross negligence or willful misconduct by Principal Manager, the Member or by such member of the Board of Managers, as the case may be. To the extent that, at law or in equity, the Principal Manager, the Member or any member of the Board of Managers has duties (including fiduciary duties) and liabilities relating thereto to the Company or to the Member, the Principal Manager, the Member and any member of the Board of Managers acting under this Agreement shall not be liable to the Company or to the Member for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of the Principal Manager, the Member or any member of the Board of Managers otherwise existing at law or in equity, are agreed by the parties hereto to replace, to the fullest extent permitted by law, such other duties and liabilities of the Principal Manager, the Member and any member of the Board of Managers.

5.10 LIMITED LIABILITY. Except as otherwise provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and none of the Principal Manager, the Member or any member of the Board of Managers shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a manager or member of the Company or a member of the Board of Managers.

6. ALLOCATIONS OF NET PROFITS AND NET LOSSES AND DISTRIBUTIONS.

6.1 ALLOCATIONS OF NET PROFITS AND NET LOSSES. Net Profits and Net Losses shall be allocated to the Member.

6.2 DISTRIBUTIONS OF THE COMPANY. Distributable Cash shall be distributed to the Member upon demand of the Member but not less frequently than monthly. All such distributions shall be made only to the Person who, according to the books and records of the Company, is the holder of record of the Membership Interest in respect of which such distributions are made on the actual date of distribution. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution which would violate the Act or other applicable law. Except as required by the Act, neither the Company nor Member shall incur any liability for making distributions in accordance with Section 2.6 and this Section 6.2.

6.3 FORM OF DISTRIBUTION. Member has no right to demand and receive any distribution from the Company in any form other than money. Except upon a dissolution and winding-up of the Company, Member may not be compelled to accept from the Company a distribution of any asset in kind.

6.4 RETURN OF DISTRIBUTIONS. Except as required by law or this Agreement, Member shall not be obligated to return any distribution to the Company or pay the amount of any distribution for the account of the Company or to any creditor of the Company. The amount of any distribution returned to the Company by Member or paid by Member for the account of the Company or to a creditor of the Company shall be added to the account or accounts from which it was subtracted when it was distributed to Member.

7. TRANSFER OF INTERESTS. Subject to Section 2.6, Member shall not be entitled to directly or indirectly transfer, assign, convey, sell, encumber or in any way alienate all or any part of its Membership Interest (a "TRANSFER"), except to the extent such Transfer is otherwise permitted under the Loan Documents to the extent obligations thereunder to Lender are outstanding. To the fullest extent permitted by law, transfers in violation of this Article 7 shall be null and void ab initio.

8. ACCOUNTING, RECORDS, REPORTING BY MEMBERS.

8.1 BOOKS AND RECORDS. The books and records of the Company shall be kept, and the financial position and the results of its operations recorded, in accordance with generally accepted accounting principles or such other commonly accepted accounting methods, consistently applied, as may be selected by Principal Manager from time to time. The books and records of the Company shall reflect all the Company transactions and shall be appropriate and adequate for the Company's business. The Company shall maintain at its principal office all of the following:

(1) MEMBERS. A record of the full name and last known business address of the Member, together with the capital account, Capital Contributions, and Percentage Interest of such Member;

(2) CERTIFICATE. A copy of the Certificate and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which the Certificate or any amendments thereto have been executed;

(3) TAX RETURNS. Copies of the Company's federal, state, and local income tax or information returns and reports, if any;

(4) AGREEMENT. A copy of this Agreement and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which this Agreement or any amendments thereto have been executed;

(5) FINANCIAL STATEMENTS. Copies of the financial statements of the Company, if any, for the six (6) most recent Fiscal Years (but if for less than six (6) years, then for the number of Fiscal Years the Company has been in existence); and

(6) BOOKS AND RECORDS. The Company's books and records as they relate to the affairs of the Company (including, without limitation, accounting records, leases, contracts and other agreements, and minutes of meetings of the Board of Managers) for at least the current and past six (6) Fiscal Years (but if for less than six (6) years, then for the number of Fiscal Years the Company has been in existence).

8.2 DELIVERY TO MEMBER AND INSPECTION. Member has the right to inspect and copy during normal business hours any of the Company records described in Sections 8.1(1) through (6).

8.3 ANNUAL STATEMENTS. Principal Manager shall cause to be prepared at least annually, at Company expense, information necessary for the preparation of Member's federal and state income tax returns. Within ninety (90) days after the end of each Fiscal Year or earlier to otherwise comply if necessary with the Loan Documents, such information as is necessary to complete federal and state income tax or information returns shall be made available to Member, and a copy of the Company's federal, state, and local income tax or information returns, if any, for that year.

8.4 FILINGS. Principal Manager, at Company expense, shall cause the income tax and information returns, if any, for the Company to be prepared and timely filed with the appropriate authorities. For tax purposes, the Company shall be treated as a disregarded entity. Principal Manager, at Company expense, shall also cause to be prepared and timely filed, with appropriate federal and state regulatory and administrative bodies, amendments to or restatements of the Certificate and all reports required to be filed by the Company with those entities under the Act or other then current applicable laws, rules, and regulations.

8.5 BANK ACCOUNTS. Subject to the requirements under Section 2.6 of this Agreement, Principal Manager shall maintain the funds of the Company in one or more separate bank accounts.

8.6 ACCOUNTING DECISIONS AND RELIANCE ON OTHERS. All decisions as to accounting matters, except as otherwise specifically set forth herein, shall be made by Principal Manager. Principal Manager may rely upon the advice of its accountants as to whether such decisions are in accordance with generally accepted accounting principles or other accounting methods appropriate for the Company and authorized hereby.

8.7 TAX MATTERS FOR THE COMPANY HANDLED BY MEMBER. Principal Manager shall from time to time cause the Company to make such tax elections, if any, as it deems to be in the best interests of the Company and Member. Member shall be the "TAX MATTERS PARTNER" as defined in Code Section 6231, shall represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including resulting judicial and administrative proceedings, and shall expend the Company funds for professional services and costs associated therewith. Member shall oversee the Company tax affairs in the overall best interests of the Company and Member.

9. DISSOLUTION AND WINDING-UP.

9.1 DISSOLUTION. Subject to Section 2.6, the Company shall be dissolved, its assets shall be disposed of, and its affairs wound up on the first to occur of the following:

(a) Upon the entry of a decree of judicial dissolution under the Act; or

(b) At any time there is no member of the Company, unless the Company is otherwise continued in accordance with the Act or this Agreement. Upon the occurrence of any event that causes the last remaining member of the Company to cease to be a member of the Company, to the fullest extent permitted by law, the personal representative of such member is

hereby authorized to, and shall, within 90 days after the occurrence of the event that terminated the continued membership of such member in the Company, agree in writing (i) to continue the Company and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute member of the Company, effective as of the occurrence of the event that terminated the continued membership of the last remaining member of the Company in the Company.

The filing of a petition in bankruptcy, the filing of a petition or answer seeking reorganization, arrangement, composition, liquidation, readjustment, dissolution or similar relief under any statute, law or regulation, or the occurrence of any other event or circumstance involving or relating to Member or a Special Member contemplated by or described in Section 18-304 of the Act, shall not, under any circumstances, cause Member or Special Member, as the case may be, to cease being a member of the Company and shall not cause the dissolution of the Company.

9.2 WINDING-UP. Upon the dissolution of the Company, the Company shall continue solely for the purpose of winding-up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors. Principal Manager shall be responsible for overseeing the winding-up and liquidation of the Company, shall take full account of the liabilities of the Company and its assets, shall either cause its assets to be sold or distributed, and if sold (as promptly as is consistent with obtaining the fair market value thereof) shall cause the proceeds therefrom, to the extent sufficient therefor, to be applied and distributed as provided in Section 9.3 hereof.

9.3 ORDER OF PAYMENT OF LIABILITIES UPON DISSOLUTION. Upon dissolution, the assets of the Company shall be liquidated, and the proceeds from such liquidation shall be allocated and distributed in the following order of priority:

(a) First, to the satisfaction of creditors of the Company, including Member or Principal Manager if a creditor (to the extent otherwise permitted by law and the Loan Documents), in satisfaction of the liabilities of the Company (whether by payment or the making of reasonable provision for payment thereof);

(b) Second, to the satisfaction of all debts, liabilities and other obligations owed to Member and not paid pursuant to clause (a) above (whether by payment or the making of reasonable provision for payment thereof); and

(c) The balance to Member.

9.4 NO DEFICIT RESTORATION. If, upon liquidation, Member has a deficit balance in its capital account, after taking into account all capital account adjustments for the Company Fiscal Year during which liquidation occurs, Member shall have no obligation to contribute cash to the capital of the Company to restore such deficit balance.

9.5 CERTIFICATE OF CANCELLATION. Principal Manager, as an authorized person, shall cause to be filed in the office of, and on a form prescribed by, the Secretary of State of the State

of Delaware, a certificate of cancellation of the Certificate upon completion of the winding-up of the affairs of the Company.

9.6 NO ACTION FOR DISSOLUTION. To the fullest extent permitted by law, neither Member nor the Board of Managers shall take any voluntary action that directly or indirectly causes a dissolution of the Company. Member acknowledges that irreparable damage would be done to the goodwill and reputation of the Company if Member should bring an action in court to dissolve the Company under circumstances where dissolution is not required by Section 9.1. This Agreement has been drawn carefully to provide fair treatment of all parties and equitable payment in liquidation of the Membership Interests. Accordingly, to the fullest extent permitted by law, Member hereby waives and renounces its right to initiate legal action to seek the appointment of a receiver or trustee to liquidate the Company or to seek a decree of judicial dissolution of the Company (including, but not limited to, any right which Member may have under Section 18-802 of the Act).

10. INDEMNIFICATION. The Company shall defend, indemnify and save harmless Member (including in its capacity as Principal Manager), and each member of the Board of Managers from and against all claims, losses, damages, cost, expense, demands, liabilities, obligations, liens, encumbrances, rights of action or attorneys' fees ("CLAIMS") sustained by reason of any act performed, or omitted to be performed, in good faith and without gross negligence or willful misconduct, within the scope of its authority expressly conferred by this Agreement, to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit. Such indemnity shall not be construed to limit or diminish the coverage of Member or such members of the Board of Managers under any insurance obtained by the Company. Payment shall not be a condition precedent to any indemnification provided in this Agreement. Notwithstanding the foregoing provisions, no payment may be made under this indemnity during the period in which there is an "Event of Default" under the Loan Agreement.

11. MISCELLANEOUS.

11.1 COMPLETE AGREEMENT. This Agreement constitutes the complete and exclusive statement of agreement of Member with respect to the subject matter herein and therein and replace and supersede all prior written and oral agreements or statements by Member. No representation, statement, condition or warranty not contained in this Agreement will be binding on Member or has any force or effect whatsoever.

11.2 BINDING EFFECT. Subject to the provisions of this Agreement relating to transferability, this Agreement will be binding upon and inure to the benefit of Member, and its respective successors and assigns.

11.3 PARTIES IN INTEREST. Except for the Lender, its successors or assigns as holders of the Loan or as expressly provided in the Act or in this Agreement, nothing in this Agreement shall confer any rights or remedies under or by reason of this Agreement on any Person other than Member and its successors and assigns nor shall anything in this Agreement relieve or discharge the obligation or liability of any third Person to Company or any party to this

Agreement, nor shall any provision hereof give any third Person any right of subrogation or action over or against Company or any party to this Agreement.

11.4 PRONOUNS; STATUTORY REFERENCES. All pronouns and all variations thereof shall be deemed to refer to the masculine, feminine, or neuter, singular or plural, as the context in which they are used may require. Any reference to the Code, the Regulations, the Act, or other statutes or laws will include all amendments, modifications, or replacements of the specific sections and provisions concerned.

11.5 HEADINGS. All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

11.6 REFERENCES TO THIS AGREEMENT. Numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement unless otherwise expressly stated.

11.7 SEVERABILITY. If any provision of this Agreement or the application of such provision to any Person or circumstance shall be held invalid, the remainder of this Agreement or the application of such provision to Persons or circumstances other than those to which it is held invalid shall not be affected thereby.

11.8 ADDITIONAL DOCUMENTS AND ACTS. Member agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions, and conditions of this Agreement and the transactions contemplated hereby.

11.9 NOTICES. Unless otherwise specified in this Agreement, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission) and mailed or sent or delivered at the addresses specified below. All such notices and communications shall be given by hand or facsimile transmission; provided that, in the event that facsimile transmission facilities are not operational, such notices and communications may be given by mail, but the sender shall use reasonable efforts to confirm facsimile transmission facilities shall become operational. All such notices and communications shall be effective when delivered by hand, or, in the case of mail, upon the earlier of receipt and confirmation by facsimile transmission as provided below, or, in the case of facsimile transmission, when sent as addressed as set forth herein and confirmation of delivery is received. The addresses of the Company and Member shall be as set forth in Section 2.5, provided that each party to this Agreement may, from time to time, change its notice address, by giving notice to the Company and the other parties herein in the manner provided in this Section.

11.10 AMENDMENTS. Subject to Section 2.6, all amendments to this Agreement will be in writing and signed by the Member and approved by the Board of Managers; provided that no amendment to this Agreement will be made to the extent prohibited by the Loan Documents if obligations of the Company and its Affiliates to the Lenders thereof are outstanding or if it would give rise to a breach or default thereunder.

11.11 MULTIPLE COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

11.12 REMEDIES CUMULATIVE. The remedies under this Agreement are cumulative and shall not exclude any other remedies to which any Person may be lawfully entitled.

11.13 CHOICE OF LAW. This Agreement shall be governed by, and shall be construed in accordance with, the laws of the State of Delaware (without regard to conflict of laws principles).

11.14 BINDING AGREEMENT. Notwithstanding any other provision of this Agreement, the Member agrees that this Agreement constitutes a legal, valid and binding agreement of the Member and is enforceable against the Member by the Independent Managers, in accordance with its terms. In addition, the Independent Managers shall be intended beneficiaries of this Agreement.

IN WITNESS WHEREOF, Member and the Independent Managers have executed this Agreement, effective as of the date first written above.

731 RESIDENTIAL HOLDING LLC
a Delaware limited liability company

By: Alexander's, Inc., member

By: /s/ Brian Kurtz

Name: Brian Kurtz

Title: Assistant Secretary

INDEPENDENT MANAGERS:

/s/ Domenic A. Borriello

Name: Domenic A. Borriello

/s/ Kim Lutthans

Name: Kim E. Lutthans

SCHEDULE 1.22

1. Gap Note (the "Gap Note") made by the Company and Commercial SPE to Lender in the principal amount of \$500,000;
2. Consolidated, Amended and Restated Building Loan Note (the "Building Loan Note") made by the Company and Commercial SPE to each Lender in the aggregate principal amount of \$55,500,000;
3. Building Loan Agreement (the "Building Loan Agreement") made by and between the Company, Commercial SPE and Lender with respect to the Building Loan (as defined in the Building Loan Agreement);
4. Gap Mortgage (the "Gap Mortgage") given by the Company and Commercial SPE to Lender as security for the Gap Note and covering the Property;
5. Consolidated, Amended and Restated Building Loan Mortgage, Assignment of Leases and Rents and Security Agreement (the "Building Loan Mortgage") given by the Company and Commercial SPE to Lender as security for the Building Loan Note and covering the Property;
6. Assignment of Leases and Rents made by the Company and Commercial SPE in favor of Lender as further security for the Building Loan Note;
7. Project Loan Agreement made by and between the Company, Commercial SPE and Lender with respect to the Project Loan (as defined in the Building Loan Agreement);
8. Supplemental Loan Agreement made by and between the Company, Commercial SPE and Lender with respect to the Supplemental Loan (as defined in the Building Loan Agreement);
9. Environmental Indemnity Agreement made by the Company, Commercial SPE and Alexander's, Inc. for the benefit of Lender;
10. UCC-1 Fixture Financing Statements delivered by the Company and Commercial SPE, as debtor, to Lender, as secured party relating to the Building Loan Mortgage;
11. UCC-1 Financing Statements delivered by the Company and Commercial SPE, as debtor, to Lender, as secured party relating to the Building Loan Mortgage;
12. Subordination of Property Management and Development Agreement and Fees by and among the Company, Commercial SPE, Lender and Vornado Management Corp.;
13. Cash Collateral Agreement between the Company, Commercial SPE and Lender;

14. Assignment of Contracts, Licenses and Permits made by the Company and Commercial SPE in favor of Lender; and
15. Loan Fee Letter from the Company and Commercial SPE to Lender.

SCHEDULE 1.30

ALL THAT CERTAIN volume of space, situate, lying and being in the Borough of Manhattan, County, City and State of New York, bounded and described as follows:

ALL that portion of the below described parcel lying between a lower horizontal plane drawn at elevation 512'-2" above the datum level used by the Topographical Bureau, Borough of Manhattan, which is 2'-9" above National Geodetic Survey Vertical Datum of 1929, mean sea level, Sandy Hook, New Jersey and an upper horizontal plane drawn at 809'-2" above such datum level bounded and described as follows:

BEGINNING at a point distant 48'-8" north of the northerly line of East 58th Street and 30'-9" east of the easterly line of Lexington Avenue;

RUNNING THENCE northerly, parallel with the easterly line of Lexington Avenue, 12'-6";

THENCE westerly, parallel with the northerly line of East 58th Street, 5'-10";

THENCE northerly, parallel with the easterly line of Lexington Ave, 78'-6";

THENCE easterly, parallel with the northerly line of East 58th Street, 5'-10";

THENCE northerly, parallel with the easterly line of Lexington Avenue, 12'-6";

THENCE easterly, parallel with the northerly line of East 58th Street, 103'-6";

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7'-6";

THENCE easterly, parallel with the northerly line of East 58th Street, 35'-0";

THENCE southerly, parallel with the easterly line of Lexington Avenue, 88'-6";

THENCE westerly, parallel with the northerly line of East 58th Street, 35'-0";

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7'-6";

THENCE westerly, parallel with the northerly line of East 58th Street, 103'-6" to the point or place of BEGINNING.

LIMITED LIABILITY COMPANY AGREEMENT
FOR
731 COMMERCIAL LLC,
A DELAWARE LIMITED LIABILITY COMPANY
(COMMERCIAL PARCEL)

This Limited Liability Company Agreement ("AGREEMENT") of 731 COMMERCIAL LLC, a Delaware limited liability company (the "COMPANY") is made as of and is effective the 3rd day of July, 2002, by 731 Commercial Holding LLC, a Delaware limited liability company, as the sole member ("Member"), Domenic A. Borriello (in his capacity as the initial "INDEPENDENT MANAGER 1"), and Kim E. Lutthans (in her capacity as the initial "INDEPENDENT MANAGER 2").

RECITALS

A. A Certificate (as hereinafter defined) for the Company was executed and delivered on May 31, 2002 and filed on June 3, 2002 with the Secretary of State of the State of Delaware, thereby forming the Company as a limited liability company pursuant to the provisions of the Act (as hereinafter defined).

B. The Member, Special Member 1 and Special Member 2 wish to operate the Company in accordance with the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein (the receipt and sufficiency of which are acknowledged by each party hereto), the parties hereto, intending to be legally bound, do hereby agree as follows:

1. DEFINITIONS.

When used in this Agreement, the following terms shall have the meanings set forth below (terms used in this Agreement that are not defined in this Article 1 shall have the meanings set forth elsewhere in this Agreement or in Section 18-101 of the Act):

1.1 "ACT" shall mean the Delaware Limited Liability Company Act (6 Del. C. Section 18-101, et. seq.), as the same may be amended from time to time.

1.2 "AFFILIATE" shall mean a Person or Persons directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with the Person or Persons in question. The term "control", as used in the immediately preceding sentence, shall mean, with respect to a Person that is a corporation, the right to exercise, directly or indirectly, more than 20% of the voting rights attributable to the shares of the controlled corporation and, with respect to a Person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled Person.

1.3 "AGREEMENT" shall mean this Limited Liability Company Agreement for 731 Commercial LLC, as originally executed and as amended from time to time.

1.4 "ALEXANDER'S" shall mean Alexander's, Inc., a Delaware corporation.

1.5 "ALEXANDER'S REIMBURSEMENT AGREEMENT" shall have the meaning provided in the Loan Agreement.

1.6 "BANKRUPTCY ACTION" shall have the meaning set forth in Section 2.6(d) hereof.

1.7 "BOARD OF MANAGERS" shall have the meaning set forth in Section 5.5 hereof.

1.8 "CAPITAL CONTRIBUTION" shall mean the total of cash and other assets contributed to the Company by the Member.

1.9 "CERTIFICATE" shall mean the Certificate of Formation of the Company, executed and delivered on May 31, 2002 and filed with the Secretary of State of the State of Delaware on June 3, 2002 (which is hereby ratified and approved in all respects), as amended from time to time.

1.10 "CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time, the provisions of succeeding law, and to the extent applicable, the Regulations.

1.11 "COMPANY" shall mean 731 Commercial LLC, a Delaware limited liability company.

1.12 "DISTRIBUTABLE CASH" shall mean the amount of cash which the Principal Manager deems available for distribution, taking into account all Company debts, liabilities, and obligations then due (including, without limitation, the Loan) and amounts necessary to place into reserves for customary and usual claims with respect to the Company's business.

1.13 "FISCAL YEAR" shall mean the Company's fiscal year, which shall be the calendar year.

1.14 "GUARANTIES" shall have the meaning provided in the Loan Agreement.

1.15 "INDEPENDENT MANAGER" shall have the meaning given to that term in Section 2.6(c) hereof.

1.16 "INDEPENDENT MANAGER 1" shall mean the person from time to time appointed by the Member as an Independent Manager who shall be designated by the Member as "Independent Manager 1".

1.17 "INDEPENDENT MANAGER 2" shall mean the person from time to time appointed by the Member as an Independent Manager who shall be designated by the Member as "Independent Manager 2".

1.18 "LENDER" shall mean Bayerische Hypo- und Vereinsbank AG and other co-lenders that hold an interest in the Loan to Company together with any of their successors and assigns, each during such time as it is the holder of such interest.

1.19 "LOAN" shall mean the loan in the original principal amount of \$490,000,000 made by Lender to Company and Residential SPE or any loan made for the purposes of refinancing such loan or any portion thereof.

1.20 "LOAN AGREEMENT" shall mean the loan agreements between Lender, Company and Residential SPE pursuant to which the Loan is made.

1.21 "LOAN DOCUMENTS" shall mean any and all documentation in connection with the Loan, as amended from time to time, and any other agreement to be entered into in connection with such documents and any financing documents in replacement thereof to be entered into by the Company and Residential SPE in connection with the acquisition and ownership of the Property, including, without limitation, the documents listed on Schedule 1.21 attached hereto and incorporated herein.

1.22 "MEMBER" shall mean 731 Commercial Holding LLC, a Delaware limited liability company, in its capacity as a member of the Company, or any other Person that succeeds Member in that capacity. A "Special Member" is not a "Member" as that term is used in this Agreement.

1.23 "MEMBERSHIP INTEREST" shall mean all of the Member's right, title and interest in, to and against the Company, including rights to Distributable Cash of the Company, and all other rights of the Member to participate in the business, affairs and management of the Company, including without limitation, the right to vote on or grant consent or approval with respect to matters coming before the Company.

1.24 "NET PROFITS" and "NET LOSSES" shall mean the net profits and net losses of the Company for a period (or from a transaction) as determined in accordance with generally accepted accounting principles, consistently applied.

1.25 "PERCENTAGE INTEREST" shall mean the limited liability interest in the Company expressed as a percentage of the total limited liability interests outstanding. The Percentage Interest of the Member is 100.00%.

1.26 "PERMITTED INDEBTEDNESS" shall mean the Loan and the other indebtedness of the Company that is permitted under the Loan Documents.

1.27 "PERSON" shall mean any individual, sole proprietorship, corporation, general partnership, limited partnership, limited liability company or partnership, joint venture, association, joint stock company, bank, trust, estate, unincorporated organization, any federal, state, county or municipal government (or any agency or political subdivision thereof), endowment fund or any other form of entity.

1.28 "PRINCIPAL MANAGER" shall mean Member, who is appointed as a manager within the meaning of the Act, except to the extent that the Board of Managers is provided with management responsibility pursuant to Section 5.3.

1.29 "PROPERTY" shall mean that certain real property (together with improvements, fixtures, and other appurtenances thereto) commonly known as the commercial parcel at 731 Lexington Avenue, in the City of New York, County of New York, State of New York, as more specifically set forth on Schedule 1.29 attached hereto and incorporated herein.

1.30 "REGULATIONS" shall, unless the context clearly indicates otherwise, mean the regulations currently in force as final or temporary that have been issued by the U.S. Department of Treasury pursuant to its authority under the Code.

1.31 "RESIDENTIAL SPE" shall mean 731 Residential LLC, a Delaware limited liability company.

1.32 "SPECIAL MEMBER 1" shall mean the Independent Manager 1 in his capacity as Special Member.

1.33 "SPECIAL MEMBER 2" shall mean the Independent Manager 2 in his capacity as Special Member.

1.34 "VORNADO" shall mean Vornado Realty L.P., a Delaware limited partnership.

1.35 "VORNADO REIMBURSEMENT AGREEMENT" shall have the meaning provided in the Loan Agreement.

1.36 "VACANCY" shall have the meaning set forth in Section 5.6 hereof.

2. ORGANIZATIONAL MATTERS.

2.1 FORMATION AND CONTINUATION. Larry Portal, is hereby designated as an "authorized person" within the meaning of the Act, and has executed, delivered and filed the Certificate of the Company with the Secretary of State of the State of Delaware and the qualification to do business in the State of New York. Upon the filing of the Certificate of the Company with the Secretary of State of the State of Delaware and the qualification to do business in the State of New York, his powers as an "authorized person" ceased, and the Member thereupon became the designated "authorized person" within the meaning of the Act. The Member shall execute, deliver and file any other certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in any jurisdiction (other than the State of New York) in which the Company may wish to conduct business.

2.2 NAME. The name of the Company shall be "731 COMMERCIAL LLC". The business of the Company may be conducted under that name or, upon compliance with applicable laws, any other name that Member deems appropriate or advisable. The Principal Manager shall qualify the Company to do business in the State of New York and shall file any qualification instruments and fictitious name certificates and similar filings, and any amendments

thereto, as necessary to qualify the Company to conduct business in the State of New York or which Principal Manager otherwise considers appropriate or advisable in accordance with Section 5 of this Agreement. Notwithstanding the foregoing, for so long as any obligation to Lender under the Loan remains outstanding the Company shall maintain the name "731 COMMERCIAL LLC".

2.3 TERM. The term of the Company and this Agreement shall commence from the date of filing of the Certificate with the Secretary of State of the State of Delaware as aforesaid and shall continue until the dissolution of the Company pursuant to Section 9.1 hereof.

2.4 REGISTERED OFFICE; REGISTERED AGENT; PRINCIPAL OFFICE. The Company shall continuously maintain a registered office and registered agent in the State of Delaware as required by the Act. The registered office and registered agent of the Company in Delaware are c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, County of New Castle. In addition, the Company shall maintain its principal office at c/o Alexander's, Inc., 888 Seventh Avenue, New York, New York 10019, or at such other place as Principal Manager may determine. The registered office, registered agent and principal office of the Company may be changed at any time and from time to time by Principal Manager.

2.5 ADDRESS OF MEMBER. The address of Member as the sole Member as of the date of this Agreement is c/o Alexander's, Inc., 888 Seventh Avenue, New York, New York 10019, Attention: Chief Executive Officer. Any successor Member who is admitted shall notify the Member and the Company of its address upon admission to the Company as a Member. The Member may change its address at any time by notice given to the Company.

2.6 PURPOSE OF COMPANY.

(a) The purpose of the Company is limited solely to owning, holding, managing, developing, leasing, operating and disposing of the Property, entering into the Loan Documents, refinancing the Property in connection with a permitted repayment or refinancing of the Loan, and transacting any and all lawful business that is incident, necessary and appropriate to accomplish the foregoing.

(b) Notwithstanding any other provision of this Agreement to the contrary (but subject to Section 2.6(d)), the Company shall not do any of the following, so long as any obligation of the Company to the Lender under Loan is outstanding:

(1) the Company will not engage in any business or activity other than as expressly set forth under the heading "Purpose of Company" in Section 2.6(a) of this Agreement.

(2) the Company will not acquire or own any material assets other than (i) the Property, and (ii) such incidental personal property as may be necessary for the ownership, construction, management and operation of the Property.

(3) the Company will maintain books, financial records and bank accounts (including checking and other bank accounts and custodian and other securities safekeeping accounts) that are separate and distinct from the books, financial records and bank accounts of any other person or entity; provided that it may have a joint bank account with Residential SPE as co-borrower under the Loan.

(4) the Company will maintain books, financial records and bank accounts in a manner so that it will not be difficult or costly to segregate, ascertain and otherwise identify the assets and liabilities of the Company.

(5) the Company will not commingle any of its assets, funds, liabilities or business functions with the assets, funds, liabilities or business functions of any other person or entity (other than (i) Residential SPE (a) as co-borrower under the Loan and (b) as co-obligor to Alexander's, Inc. under the Alexander's Reimbursement Agreement for the reimbursement of payments under the Guaranties and (ii) Alexander's and Residential SPE as co-obligors to Vornado under the Vornado Reimbursement Agreement for the reimbursement of payments under the Guaranties).

(6) the Company will observe all appropriate limited liability company procedures and formalities.

(7) the Company will pay its own liabilities, losses and expenses only out of its own funds (except to the extent otherwise permitted or provided for under (i) the Loan Documents, (ii) the Vornado Reimbursement Agreement for reimbursement of payments under the Guaranties and (iii) Alexander's Reimbursement Agreement for reimbursement of payments under the Guaranties).

(8) subject to clause (9) below, the Company will maintain separate annual financial statements prepared in accordance with generally accepted accounting principles, consistently applied, showing its assets and liabilities separate and distinct from those of any other person or entity.

(9) in the event the financial statements of the Company are consolidated with the financial statements of any other entity, then in addition to maintaining separate financial statements as required above, the Company will cause to be included in such consolidated financial statements a note stating that "the Company is a separate entity that has separate assets and liabilities as shown on the Company's separate financial statement".

(10) the Company will pay or bear the cost of the preparation of its financial statements, and have such financial statements audited by a certified public accounting firm that is not affiliated with the Company or its affiliates.

(11) the Company will not guarantee or become obligated for the debts or obligations of any other entity or person (other than (i) Residential SPE (a) as co-borrower under the Loan and (b) as co-obligor to Alexander's under the Alexander's Reimbursement Agreement for the reimbursement of payments under the Guaranties, (ii) Alexander's and

Residential SPE as co-obligors to Vornado under the Vornado Reimbursement Agreement for the reimbursement of payments under the Guaranties and (iii) lease takeover obligations).

(12) the Company will not hold out its credit as being available to satisfy the debts or obligations of any other person or entity (other than (i) Residential SPE (a) as co-borrower under the Loan and (b) as co-obligor to Alexander's under the Alexander's Reimbursement Agreement for the reimbursement of payments under the Guaranties, (ii) Alexander's and Residential SPE as co-obligors to Vornado under the Vornado Reimbursement Agreement for the reimbursement of payments under the Guaranties and (iii) lease takeover obligations).

(13) the Company will hold itself out as an entity separate and distinct from any other person or entity (including its affiliates).

(14) the Company will correct any known misrepresentation or misunderstanding regarding its separate identity.

(15) the Company will use separate stationery, business cards, purchase orders, invoices, checks and the like bearing its own name to the extent it will use such items.

(16) the Company will maintain a sufficient number of employees or outside consultants in light of its contemplated business operations and pay their salaries out of its own funds (and the funds of Residential SPE as co-borrower under the Loan).

(17) the Company will compensate all consultants, independent contractors, employees and agents from its own funds (or those of Residential SPE as co-borrower under the Loan) for services provided to it by such consultants, independent contractors, employees and agents.

(18) the Company will, to the extent that the Company and any of its affiliates occupy any premises in the same location, allocate fairly, appropriately and nonarbitrarily any rent and overhead expenses among and between such entities with the result that each entity bears its fair share of all such rent and expenses.

(19) the Company will, to the extent that the Company and any of its affiliates share the same officers and other employees, allocate fairly, appropriately and nonarbitrarily any salaries and expenses to the extent actually incurred by such parties related to providing benefits to such officers and other employees between or among such entities, with the result that each such entity will bear its fair share of the salary and benefit costs associated with all such common or shared officers or other employees.

(20) the Company will, to the extent that the Company and any of its affiliates jointly contract or do business with vendors or service providers or share overhead expenses, allocate fairly, appropriately and nonarbitrarily any costs and expenses incurred in so doing between or among such entities, with the result that each such entity bears its fair share of all such costs and expenses.

(21) the Company will, to the extent the Company contracts or does business with vendors or service providers where the goods or services are wholly or partially for the benefit of its affiliates, allocate fairly, appropriately and nonarbitrarily any costs incurred in so doing to the entity for whose benefit such goods or services are provided, with the result that each such entity bears its fair share of all such costs.

(22) the Company will not make any loans to any person or entity or buy or hold any indebtedness issued by any other person or entity (except for cash and investment-grade securities and each of the permitted investments and exceptions expressly permitted by the Loan Documents).

(23) the Company will conduct its own business solely in its own name, through its duly authorized officers or agents.

(24) the Company will hold all of its assets in its own name (except for assets held jointly with Residential SPE as co-borrower under the Loan).

(25) the Company will maintain an arm's-length like relationship with its affiliates and enter into transactions with affiliates only on terms at least as favorable to the Company as could be obtained at arm's length.

(26) the Company will not pledge its assets to secure the liabilities of any other person or entity (other than Residential SPE as co-borrower under the Loan).

(27) the Company will not identify itself as a division or department of any other entity.

(28) the Company intends to maintain adequate capital in light of its contemplated business operations.

(29) the Company will conduct transactions between the Company and third parties in the name of the Company and as an entity separate and independent from its affiliates.

(30) the Company will cause representatives, employees and agents of the Company to hold themselves out to third parties as being representatives, employees or agents, as the case may be, of the Company.

(31) the Company will cause transactions and agreements between the Company, on the one hand, and any one or more of its affiliates, on the other hand (including transactions and agreements pursuant to which the assets or property of one is used or to be used by the other), to be entered into in the names of the entities that are parties to the transaction or agreement and to be formally documented in writing.

(32) the Company will cause the pricing and other material terms of all transactions and agreements described in the immediately preceding clause (29) above to be established by written agreement (by formula or otherwise) at the inception of the particular

transaction or agreement on terms at least as favorable to the Company as could be obtained at arm's length.

(33) the Company will not acquire or assume the obligations of its affiliates (other than (i) Residential SPE (a) as co-borrower under the Loan and (b) as co-obligor to Alexander's under the Alexander's Reimbursement Agreement for the reimbursement of payments under the Guaranties and (ii) Alexander's and Residential SPE as co-obligors to Vornado under the Vornado Reimbursement Agreement for the reimbursement of payments under the Guaranties).

(34) the Company will not form, hold, or acquire any subsidiary or own any other equity interest in any other Person except as expressly permitted in the Loan Documents.

(35) the Company will file any required tax returns and will make any required payments under applicable tax law.

(c) The Company shall at all times cause there to be at least two (2) duly appointed members of the Board of Managers who are independent managers (each an "INDEPENDENT MANAGER") who shall not have been or be at the time of such individual's appointment, or at any time while serving as an Independent Manager of the Company, and may not have been at any time during the preceding five (5) years preceding his or her appointment (A) a member (with the exception of serving as Special Member of the Company or Residential SPE), shareholder, partner, director, manager (with the exception of serving as Independent Manager of the Company or Residential SPE), officer or employee of Company, or of Member or any Affiliate of any of them; (B) a customer of, creditor of, or supplier or service provider (including professionals) to, Company or its Member or any of Company's or Member's members, shareholders, partners, or subsidiaries, or any Affiliate of any of them, if the revenues therefrom to such director account for any of such director's gross annual revenues; (C) a Person controlling any of the foregoing; (D) any other Person receiving a material portion of his or her compensation or other financial remuneration from, or who is otherwise financially dependent on, an officer, director or employee of Company or Member, or any of their Affiliates or an officer's, director's or employee's family member by blood or marriage or a business entity owned or controlled by any of the foregoing; or (E) a spouse, parent, sibling or child of any Person described by (A), (B), (C) or (D) above. A natural person who satisfies the foregoing definition other than subparagraph (B) shall not be disqualified from serving as an Independent Manager of the Company if such individual is an independent manager provided by a nationally-recognized company that provides professional independent managers and that also provides other corporate services in the ordinary course of its business. A natural person who otherwise satisfies the foregoing except for serving as an independent manager of a "special purpose" Affiliate that does not own a direct or indirect interest in the Company or Residential SPE shall not be disqualified from serving as an Independent Manager of the Company if such individual is at the time of initial appointment, or at any time while serving as an Independent Manager of the Company, an Independent Manager of a "special purpose entity" affiliated with the Company (other than any entity that owns a direct or indirect equity interest in the Company or Residential SPE) if such individual is an independent manager provided by a nationally-recognized company

that provides professional independent managers. For purposes of this paragraph, a "special purpose entity" is an entity, whose organizational documents contain restrictions on its activities and impose requirements intended to preserve the Company's separateness that are substantially similar to those of the Company and provide, inter alia, that it: (a) is organized for the limited purpose of owning and operating one or more properties or is a member of an entity which is organized for the limited purpose of owning and operating one or more properties; (b) has restrictions on its ability to incur indebtedness, dissolve, liquidate, consolidate, merge and/or sell assets; (c) may not file voluntarily a bankruptcy petition on its own behalf or on behalf of such entity without the consent of the Independent Manager and (d) shall conduct itself and cause such entity to conduct itself in accordance with certain "separateness covenants", including, but not limited to, the maintenance of its and such entity's books, records, bank accounts and assets separate from those of any other person or entity. The initial Independent Managers shall be Domenic A. Borriello, initially designated as "Independent Manager 1", and Kim E. Lutthans, initially designated as "Independent Manager 2". As used in this Section 2.6(c), the term "CONTROLLED" means 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.

(d) Notwithstanding any other provision of this Agreement (other than Section 2.6(f) below) or the Certificate or of law that otherwise so empowers Company, Company shall not take any of the following actions (w) without the consent of the Member, (x) without the vote or written consent of both members of the Board of Managers which are Independent Managers, (y) if one or more of the other members of the Board of Managers vote against or disapprove such actions, and (z) if the obligation of the Company to Lender under the Loan is outstanding, without the written consent of Lender: (i) to the fullest extent permitted by law, the dissolution, winding up, liquidation, consolidation, conversion to another form of business association or state of formation, or change in the legal structure of Company including, but not limited to, permitting the transfer of the limited liability company interests of any Member in whole or in part (if such transfer is restricted by the Loan Documents and, in such instance, a transfer may be made only in accordance with the Loan Documents), the merger of Company or the sale, transfer or other disposition of all or substantially all of the properties and assets of Company; (ii) the engagement by Company in any business other than the ownership, management, development, leasing, financing, maintenance and operation of the Property; or (iii) the amendment or modification of Sections 2.2, 2.3, 2.6, 4.2, 4.3, 4.8, 5.1, 5.2, 5.5, 5.6, 7, 8.1, 8.4, 8.5, 9.1, 9.6, 10, 11.10 and 11.13 or the defined terms referenced therein. Notwithstanding another provision of this Agreement or the Certificate or of law that otherwise so empowers Company, Company shall not take any of the following actions (w) without the consent of the Member, (x) without the vote or written consent of both members of the Board of Managers which are Independent Managers and (y) if one or more of the other members of the Board of Managers vote against or disapprove such actions: (A) the filing, or consent to the filing, of a bankruptcy, insolvency or reorganization case or proceeding; instituting any proceedings under any applicable insolvency law or otherwise seek any relief under the laws relating to the relief from debts or the protection of debtors generally; seeking or consenting to appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official for the Borrower or a substantial portion of its properties; making any assignment for the benefit of the Borrower's creditors; taking any action in furtherance of any of the foregoing

(collectively, "Bankruptcy Action") or (B) the amendment or modification of any provision of this Agreement (subject to the prior sentence of this Section 2.6(d)) or the Certificate; and any purported action of Company which violates this sentence shall be void ab initio and of no force or effect.

(e) The Company shall have no liabilities, contingent or otherwise, other than the Permitted Indebtedness.

(f) Notwithstanding any other provision of this Agreement or the Certificate or of law that otherwise so empowers Company, in the event that Residential SPE shall take, or become subject to, a Bankruptcy Action, then, upon receiving written notice from Lender, all of the members of the Board of Managers (including both Independent Managers) shall take a vote on the commencement of a Bankruptcy Action with respect to the Company and shall vote, to the fullest extent permitted by law, as specifically directed and instructed by the Lender for so long as the obligation of the Company to Lender under the Loan is outstanding. If so directed by the Lender, the Company shall seek procedural consolidation of the bankruptcy proceedings of the Company and Residential SPE.

(g) THE COMPANY ACKNOWLEDGES AND AGREES THAT THE LENDER WOULD NOT HAVE AGREED TO MAKE THE LOAN BUT FOR THE INCLUSION OF THE BANKRUPTCY CONTROL PROVISIONS SET FORTH IN SECTION 2.6(f) HEREIN. THE BANKRUPTCY CONTROL PROVISIONS CONTAINED IN THIS AGREEMENT ARE DESIGNED TO REFLECT THE AGREEMENT AND UNDERSTANDING OF THE TRANSACTION PARTIES WITH THE LENDER THAT THE LOAN TO THE COMPANY AND RESIDENTIAL SPE AS CO-BORROWERS IS A SINGLE TRANSACTION SECURED BY THE ENTIRE PROPERTY AND LENDER MADE THE LOAN IN RELIANCE ON ITS ABILITY TO REALIZE UPON THE BENEFIT OF SUCH AGREEMENT AND UNDERSTANDING.

3. CAPITAL CONTRIBUTIONS.

3.1 INITIAL CAPITAL CONTRIBUTION. Member has contributed the Property to the Company pursuant to that certain bargain and sale deed without covenant against grantor's acts dated July 3rd, 2002 (subject to all exceptions thereof) executed by Member in favor of Company.

3.2 ADDITIONAL CAPITAL CONTRIBUTIONS. Member may, but shall not be obligated to, contribute additional capital to the Company in such amounts and at such times as Member shall determine in its sole and absolute discretion.

3.3 NO INTEREST. Member shall not be entitled to receive interest on any Capital Contributions.

3.4 CAPITAL ACCOUNT. The Company shall establish and maintain a capital account for Member to which it shall credit the amount of its Capital Contributions and Net Profits of the Company from time to time and to which it shall charge such Member's share of distributions

and Net Losses. The initial capital account of Member shall be equal to the fair market value of the Property.

4. MEMBER.

4.1 LIMITED LIABILITY. Except as otherwise provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and neither the Member nor the Special Members shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a member of the Company.

4.2 ADMISSION OF ADDITIONAL MEMBERS. Except as contemplated by Section 4.8, no additional members shall be admitted to the Company, it being the intent of Member that the Company shall at all times be a single member limited liability company. Without the need for the consent of any Person, upon a transfer of the limited liability company interest in accordance with this Agreement, the transferee shall be deemed admitted as a Member of the Company upon the effective date of such transfer.

4.3 RESIGNATIONS. Member shall not resign as the member of the Company.

4.4 TRANSACTION WITH THE COMPANY. Subject to any limitations set forth in this Agreement, including without limitation, Section 2.6 hereof, Member may lend money to, act as a surety, guarantor or endorser for, guarantee or assume one or more obligations of, provide collateral for, and transact other business with the Company. Subject to this Agreement and applicable law, Member has the same rights and obligations with respect to any transaction with Company as a Person who is not a member or manager.

4.5 REMUNERATION TO MEMBER. Except as otherwise authorized in or pursuant to this Agreement, Member is not entitled to remuneration for acting on Company business.

4.6 VOTING RIGHTS. Except as expressly modified in this Agreement, Member shall have the voting, approval and consent rights provided in the Act.

4.7 MEETINGS OF THE MEMBER. No annual or regular meeting of Member is required.

4.8 SPECIAL MEMBER.

(a) Upon the occurrence of any event that causes the Member to cease to be a member of the Company (other than upon an assignment by the Member of all of its limited liability company interest in the Company and the admission of the transferee pursuant to Section 4.2 (a "MEMBER CESSATION EVENT")), Independent Manager 1 shall, without any action of any Person and simultaneously with the Member's ceasing to be a member of the Company, automatically be admitted to the Company as a member of the Company (in such capacity, a "SPECIAL MEMBER") and shall continue the Company without dissolution. If, however, at the time of a Member Cessation Event, Independent Manager 1 has died or is otherwise no longer able to step into the role of Special Member, then, in such event, Independent Manager 2 shall concurrently with the Member Cessation Event, and without any action of any Person and

simultaneously with the Member Cessation Event, automatically be admitted to the Company as Special Member and shall continue the Company without dissolution. It is the intent of these provisions that the Company never have more than one Special Member at any particular point in time.

(b) No Special Member may resign from the Company or transfer its rights as Special Member unless (i) a successor Special Member has been admitted to the Company as Special Member by executing a counterpart to this Agreement, and (ii) such successor has also accepted its appointment as Independent Manager pursuant to Section 2.6(c); provided, however, the Special Members shall automatically cease to be members of the Company upon the admission to the Company of a substitute Member appointed by the personal representative (as defined in the Act) of the last remaining Member who ceased to be a member of the Company. The Special Member shall be a member of the Company that has no interest in the profits, losses and capital of the Company and has no right to receive any distributions of Company assets. Pursuant to Section 18-301 of the Act, a Special Member shall not be required to make any capital contributions to the Company and shall not receive a limited liability company interest in the Company. A Special Member, in its capacity as Special Member, may not bind the Company. Except as required by any mandatory provisions of the Act, the Special Member, in its capacity as Special Member, shall have no right to vote on, approve or otherwise consent to any action by, or matter relating to, the Company, including, without limitation, the merger, consolidation or conversion of the Company. In order to implement the admission to the Company of each Special Member, each person acting as an Independent Manager pursuant to Section 2.6(c) shall execute a counterpart to this Agreement. Prior to its admission to the Company as Special Member, each person acting as an Independent Manager pursuant to Section 2.6(c) shall not be a member of the Company.

5. MANAGEMENT AND CONTROL OF THE COMPANY; LIMITED LIABILITY.

5.1 MANAGEMENT OF THE COMPANY BY PRINCIPAL MANAGER. The business, property and affairs of the Company shall be managed and all powers of the Company shall be exercised by or under the direction of Principal Manager except only for the powers granted to the Board of Managers under this Article 5. Principal Manager shall, on behalf of and in the name of the Company, and in addition to the general management obligations for the operation of the Company and the obligations of Principal Manager provided for elsewhere in this Agreement or by law, cause the Company to perform the obligations and otherwise comply with the requirements set forth in Section 2.6 of this Agreement. Principal Manager shall conduct the affairs of the Company in the best interest of the Company and Member, including the safekeeping and use of all Company funds for the benefit of the Company and Member.

5.2 POWERS WITH RESPECT TO MANAGEMENT OF THE COMPANY. Subject to the limitations set forth in Section 2.6 and in Section 5.3 or expressly provided elsewhere in this Agreement, Principal Manager shall have all necessary powers to manage and carry out the management of the Company and the power to sign contracts and obligations on behalf of the Company, including without limitation, the power to exercise on behalf and in the name of the Company all of the powers of a manager described in the Act. Notwithstanding any other provision of this Agreement, the Company, the Principal Manager, or the Member, on behalf of

the Company, may enter into and perform the Loan Documents, the Alexander's Reimbursement Agreement, the Reimbursement Documents (as defined in the Alexander's Reimbursement Agreement) in connection with the Alexander's Reimbursement Agreement, the Vornado Reimbursement Agreement and the Reimbursement Documents (as defined in the Vornado Reimbursement Agreement) in connection with the Vornado Reimbursement Agreement, without any further act, vote or approval. The Principal Manager is hereby authorized to enter into the Loan Documents, the Alexander's Reimbursement Agreement, the Reimbursement Documents in connection with the Alexander's Reimbursement Agreement, the Vornado Reimbursement Agreement and the Reimbursement Documents in connection with the Vornado Reimbursement Agreement on behalf of the Company. The foregoing authorization shall not be deemed a restriction on the power of the Principal Manager to enter into other agreements on behalf of the Company.

5.3 BOARD OF MANAGERS POWERS. Subject to the terms of the Act and as otherwise provided under this Section 5, the Company shall be managed by the Board of Managers to the extent, and only to the extent, of the matters described in Sections 2.6(d) and 2.6(f) hereof and in accordance with Sections 2.6(d) and 2.6(f) hereof. Each member of the Board of Managers is hereby designated as a manager within the meaning of the Act but shall have only the rights and powers as are set forth in this Section 5.3 and shall not otherwise have the authority, acting alone or together, to bind the Company.

5.4 NUMBER OF MANAGERS. The authorized number of Persons constituting the Board of Managers shall initially be five (5). Subject to Section 5.5(a), the Member may change the number of Persons constituting the Board of Managers at any time.

5.5 ELECTION OF PERSONS TO BOARD OF MANAGERS.

(a) Subject to the requirement that at least two (2) of the members of the Board of Managers shall be Independent Managers, as defined in Section 2.6(c) hereof, Member may determine at any time in its sole and absolute discretion the number of members of the Board of Managers and whom to appoint as members of the Board of Managers. Subject to the provisions of the prior sentence, any member of the Board of Managers (including, without limitation, any Independent Manager) may be removed or expelled, with or without cause, at any time by Member, with or without notice.

(b) The following named persons shall be, and they hereby are, appointed as the initial members of the Board of Managers of the Company ("BOARD OF MANAGERS"), their terms of office to commence upon the acceptance of their appointment and to continue until the earlier of their resignation or removal by the Member or their respective successor(s) shall have been duly appointed and such successor(s) have accepted their appointment in accordance with this Article 5:

Steven Roth
Michael Fascitelli
Russell B. Wight, Jr.

Domenic A. Borriello (Independent Manager 1)
Kim E. Lutthans (Independent Manager 2)

5.6 VACANCIES ON BOARD OF MANAGERS. A vacancy ("VACANCY") on the Board of Managers shall be deemed to exist (i) if an appointed member of the Board of Managers dies or resigns, (ii) if an appointed member of the Board of Managers is convicted of a felony or any other crime punishable by imprisonment or declared of unsound mind by an order of court, in which case, without further action by any Person, such Person shall cease to be a member of the Board of Managers, or (iii) if, subject to the requirements of Section 2.6(c) hereof, an appointed member is removed or expelled, with or without cause, at any time by Member. A Vacancy on the Board of Managers shall be filled in accordance with the appointment procedure set forth in Section 5.5 hereof by Member.

5.7 BOARD OF MANAGERS MEETINGS. It shall be unnecessary for the Board of Managers to meet unless meeting to address and vote on the matters described under Sections 2.6(d) and 2.6(f) hereof. All Board of Managers meetings shall be held at the principal office of the Company. Such Board of Managers meetings shall be held on four (4) days' notice by mail or 48 hours' notice delivered personally or by telephone, including voice messaging system or other technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means. Notices hereunder shall be communicated to each member of the Board of Managers at the address, telephone number or electronic mail address shown on the Company's records. Notwithstanding anything to the contrary contained herein, any action required or permitted to be taken at any meeting of the Board of Managers may be taken without a meeting, if (x) both of the members of the Board of Managers which are Independent Managers consent thereto in writing to such action and (y) the other members of the Board of Managers do not raise any written objection thereto within five (5) days of being notified thereof in writing, and the consent or consents are filed with the minutes of proceedings of the Board of Managers.

5.8 QUORUM. It shall be necessary for all of the appointed members of the Board of Managers to be present in order to constitute a quorum for the transaction of business, and all of the appointed members of the Board of Managers must be present at any meeting of the Board of Managers in order for any act or decision made by the appointed members of the Board of Managers to be regarded as the official act of the Board of Managers. Even though a quorum is initially present, if the number of members of the Board of Managers present at a meeting is reduced to less than a quorum, no further business, except adjournment may be transacted at the meeting until a quorum is present. Members of the Board of Managers may participate in a meeting of the Board of Managers by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting. If all the participants are participating by conference telephone or similar communications equipment, the meeting shall be deemed to be held at the principal office of the Company.

5.9 PERFORMANCE OF DUTIES; LIABILITY OF PRINCIPAL MANAGER AND BOARD OF MANAGERS. None of the Principal Manager, the Member or any member of the Board of Managers shall be liable to Company for any loss or damage sustained by Company, unless the

loss or damage shall have been the result of an act performed, or omitted to be performed, in bad faith or with gross negligence or willful misconduct by Principal Manager, the Member or by such member of the Board of Managers, as the case may be. To the extent that, at law or in equity, the Principal Manager, the Member or any member of the Board of Managers has duties (including fiduciary duties) and liabilities relating thereto to the Company or to the Member, the Principal Manager, the Member and any member of the Board of Managers acting under this Agreement shall not be liable to the Company or to the Member for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of the Principal Manager, the Member or any member of the Board of Managers otherwise existing at law or in equity, are agreed by the parties hereto to replace, to the fullest extent permitted by law, such other duties and liabilities of the Principal Manager, the Member and any member of the Board of Managers.

5.10 LIMITED LIABILITY. Except as otherwise provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and none of the Principal Manager, the Member or any member of the Board of Managers shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a manager or member of the Company or a member of the Board of Managers.

6. ALLOCATIONS OF NET PROFITS AND NET LOSSES AND DISTRIBUTIONS.

6.1 ALLOCATIONS OF NET PROFITS AND NET LOSSES. Net Profits and Net Losses shall be allocated to the Member.

6.2 DISTRIBUTIONS OF THE COMPANY. Distributable Cash shall be distributed to the Member upon demand of the Member but not less frequently than monthly. All such distributions shall be made only to the Person who, according to the books and records of the Company, is the holder of record of the Membership Interest in respect of which such distributions are made on the actual date of distribution. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution which would violate the Act or other applicable law. Except as required by the Act, neither the Company nor Member shall incur any liability for making distributions in accordance with Section 2.6 and this Section 6.2.

6.3 FORM OF DISTRIBUTION. Member has no right to demand and receive any distribution from the Company in any form other than money. Except upon a dissolution and winding-up of the Company, Member may not be compelled to accept from the Company a distribution of any asset in kind.

6.4 RETURN OF DISTRIBUTIONS. Except as required by law or this Agreement, Member shall not be obligated to return any distribution to the Company or pay the amount of any distribution for the account of the Company or to any creditor of the Company. The amount of any distribution returned to the Company by Member or paid by Member for the account of the Company or to a creditor of the Company shall be added to the account or accounts from which it was subtracted when it was distributed to Member.

7. TRANSFER OF INTERESTS. Subject to Section 2.6, Member shall not be entitled to directly or indirectly transfer, assign, convey, sell, encumber or in any way alienate all or any part of its Membership Interest (a "Transfer"), except to the extent such Transfer is otherwise permitted under the Loan Documents to the extent obligations thereunder to Lender are outstanding. To the fullest extent permitted by law, transfers in violation of this Article 7 shall be null and void ab initio.

8. ACCOUNTING, RECORDS, REPORTING BY MEMBERS.

8.1 BOOKS AND RECORDS. The books and records of the Company shall be kept, and the financial position and the results of its operations recorded, in accordance with generally accepted accounting principles or such other commonly accepted accounting methods, consistently applied, as may be selected by Principal Manager from time to time. The books and records of the Company shall reflect all the Company transactions and shall be appropriate and adequate for the Company's business. The Company shall maintain at its principal office all of the following:

(1) MEMBERS. A record of the full name and last known business address of the Member, together with the capital account, Capital Contributions, and Percentage Interest of such Member;

(2) CERTIFICATE. A copy of the Certificate and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which the Certificate or any amendments thereto have been executed;

(3) TAX RETURNS. Copies of the Company's federal, state, and local income tax or information returns and reports, if any;

(4) AGREEMENT. A copy of this Agreement and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which this Agreement or any amendments thereto have been executed;

(5) FINANCIAL STATEMENTS. Copies of the financial statements of the Company, if any, for the six (6) most recent Fiscal Years (but if for less than six (6) years, then for the number of Fiscal Years the Company has been in existence); and

(6) BOOKS AND RECORDS. The Company's books and records as they relate to the affairs of the Company (including, without limitation, accounting records, leases, contracts and other agreements, and minutes of meetings of the Board of Managers) for at least the current and past six (6) Fiscal Years (but if for less than six (6) years, then for the number of Fiscal Years the Company has been in existence).

8.2 DELIVERY TO MEMBER AND INSPECTION. Member has the right to inspect and copy during normal business hours any of the Company records described in Sections 8.1(1) through (6).

8.3 ANNUAL STATEMENTS. Principal Manager shall cause to be prepared at least annually, at Company expense, information necessary for the preparation of Member's federal and state income tax returns. Within ninety (90) days after the end of each Fiscal Year or earlier to otherwise comply if necessary with the Loan Documents, such information as is necessary to complete federal and state income tax or information returns shall be made available to Member, and a copy of the Company's federal, state, and local income tax or information returns, if any, for that year.

8.4 FILINGS. Principal Manager, at Company expense, shall cause the income tax and information returns, if any, for the Company to be prepared and timely filed with the appropriate authorities. For tax purposes, the Company shall be treated as a disregarded entity. Principal Manager, at Company expense, shall also cause to be prepared and timely filed, with appropriate federal and state regulatory and administrative bodies, amendments to or restatements of the Certificate and all reports required to be filed by the Company with those entities under the Act or other then current applicable laws, rules, and regulations.

8.5 BANK ACCOUNTS. Subject to the requirements under Section 2.6 of this Agreement, Principal Manager shall maintain the funds of the Company in one or more separate bank accounts.

8.6 ACCOUNTING DECISIONS AND RELIANCE ON OTHERS. All decisions as to accounting matters, except as otherwise specifically set forth herein, shall be made by Principal Manager. Principal Manager may rely upon the advice of its accountants as to whether such decisions are in accordance with generally accepted accounting principles or other accounting methods appropriate for the Company and authorized hereby.

8.7 TAX MATTERS FOR THE COMPANY HANDLED BY MEMBER. Principal Manager shall from time to time cause the Company to make such tax elections, if any, as it deems to be in the best interests of the Company and Member. Member shall be the "TAX MATTERS PARTNER" as defined in Code Section 6231, shall represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including resulting judicial and administrative proceedings, and shall expend the Company funds for professional services and costs associated therewith. Member shall oversee the Company tax affairs in the overall best interests of the Company and Member.

9. DISSOLUTION AND WINDING-UP.

9.1 DISSOLUTION. Subject to Section 2.6, the Company shall be dissolved, its assets shall be disposed of, and its affairs wound up on the first to occur of the following:

(a) Upon the entry of a decree of judicial dissolution under the Act; or

(b) At any time there is no member of the Company, unless the Company is otherwise continued in accordance with the Act or this Agreement. Upon the occurrence of any event that causes the last remaining member of the Company to cease to be a member of the Company, to the fullest extent permitted by law, the personal representative of such member is

hereby authorized to, and shall, within 90 days after the occurrence of the event that terminated the continued membership of such member in the Company, agree in writing (i) to continue the Company and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute member of the Company, effective as of the occurrence of the event that terminated the continued membership of the last remaining member of the Company in the Company.

The filing of a petition in bankruptcy, the filing of a petition or answer seeking reorganization, arrangement, composition, liquidation, readjustment, dissolution or similar relief under any statute, law or regulation, or the occurrence of any other event or circumstance involving or relating to Member or a Special Member contemplated by or described in Section 18-304 of the Act, shall not, under any circumstances, cause Member or Special Member, as the case may be, to cease being a member of the Company and shall not cause the dissolution of the Company.

9.2 WINDING-UP. Upon the dissolution of the Company, the Company shall continue solely for the purpose of winding-up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors. Principal Manager shall be responsible for overseeing the winding-up and liquidation of the Company, shall take full account of the liabilities of the Company and its assets, shall either cause its assets to be sold or distributed, and if sold (as promptly as is consistent with obtaining the fair market value thereof) shall cause the proceeds therefrom, to the extent sufficient therefor, to be applied and distributed as provided in Section 9.3 hereof.

9.3 ORDER OF PAYMENT OF LIABILITIES UPON DISSOLUTION. Upon dissolution, the assets of the Company shall be liquidated, and the proceeds from such liquidation shall be allocated and distributed in the following order of priority:

(a) First, to the satisfaction of creditors of the Company, including Member or Principal Manager if a creditor (to the extent otherwise permitted by law and the Loan Documents), in satisfaction of the liabilities of the Company (whether by payment or the making of reasonable provision for payment thereof);

(b) Second, to the satisfaction of all debts, liabilities and other obligations owed to Member and not paid pursuant to clause (a) above (whether by payment or the making of reasonable provision for payment thereof); and

(c) The balance to Member.

9.4 NO DEFICIT RESTORATION. If, upon liquidation, Member has a deficit balance in its capital account, after taking into account all capital account adjustments for the Company Fiscal Year during which liquidation occurs, Member shall have no obligation to contribute cash to the capital of the Company to restore such deficit balance.

9.5 CERTIFICATE OF CANCELLATION. Principal Manager, as an authorized person, shall cause to be filed in the office of, and on a form prescribed by, the Secretary of State of the State

of Delaware, a certificate of cancellation of the Certificate upon completion of the winding-up of the affairs of the Company.

9.6 NO ACTION FOR DISSOLUTION. To the fullest extent permitted by law, neither Member nor the Board of Managers shall take any voluntary action that directly or indirectly causes a dissolution of the Company. Member acknowledges that irreparable damage would be done to the goodwill and reputation of the Company if Member should bring an action in court to dissolve the Company under circumstances where dissolution is not required by Section 9.1. This Agreement has been drawn carefully to provide fair treatment of all parties and equitable payment in liquidation of the Membership Interests. Accordingly, to the fullest extent permitted by law, Member hereby waives and renounces its right to initiate legal action to seek the appointment of a receiver or trustee to liquidate the Company or to seek a decree of judicial dissolution of the Company (including, but not limited to, any right which Member may have under Section 18-802 of the Act).

10. INDEMNIFICATION. The Company shall defend, indemnify and save harmless Member (including in its capacity as Principal Manager), and each member of the Board of Managers from and against all claims, losses, damages, cost, expense, demands, liabilities, obligations, liens, encumbrances, rights of action or attorneys' fees ("CLAIMS") sustained by reason of any act performed, or omitted to be performed, in good faith and without gross negligence or willful misconduct, within the scope of its authority expressly conferred by this Agreement, to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit. Such indemnity shall not be construed to limit or diminish the coverage of Member or such members of the Board of Managers under any insurance obtained by the Company. Payment shall not be a condition precedent to any indemnification provided in this Agreement. Notwithstanding the foregoing provisions, no payment may be made under this indemnity during the period in which there is an "Event of Default" under the Loan Agreement.

11. MISCELLANEOUS.

11.1 COMPLETE AGREEMENT. This Agreement constitutes the complete and exclusive statement of agreement of Member with respect to the subject matter herein and therein and replace and supersede all prior written and oral agreements or statements by Member. No representation, statement, condition or warranty not contained in this Agreement will be binding on Member or has any force or effect whatsoever.

11.2 BINDING EFFECT. Subject to the provisions of this Agreement relating to transferability, this Agreement will be binding upon and inure to the benefit of Member, and its respective successors and assigns.

11.3 PARTIES IN INTEREST. Except for the Lender, its successors or assigns as holders of the Loan or as expressly provided in the Act or in this Agreement, nothing in this Agreement shall confer any rights or remedies under or by reason of this Agreement on any Person other than Member and its successors and assigns nor shall anything in this Agreement relieve or discharge the obligation or liability of any third Person to Company or any party to this

Agreement, nor shall any provision hereof give any third Person any right of subrogation or action over or against Company or any party to this Agreement.

11.4 PRONOUNS; STATUTORY REFERENCES. All pronouns and all variations thereof shall be deemed to refer to the masculine, feminine, or neuter, singular or plural, as the context in which they are used may require. Any reference to the Code, the Regulations, the Act, or other statutes or laws will include all amendments, modifications, or replacements of the specific sections and provisions concerned.

11.5 HEADINGS. All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

11.6 REFERENCES TO THIS AGREEMENT. Numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement unless otherwise expressly stated.

11.7 SEVERABILITY. If any provision of this Agreement or the application of such provision to any Person or circumstance shall be held invalid, the remainder of this Agreement or the application of such provision to Persons or circumstances other than those to which it is held invalid shall not be affected thereby.

11.8 ADDITIONAL DOCUMENTS AND ACTS. Member agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions, and conditions of this Agreement and the transactions contemplated hereby.

11.9 NOTICES. Unless otherwise specified in this Agreement, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission) and mailed or sent or delivered at the addresses specified below. All such notices and communications shall be given by hand or facsimile transmission; provided that, in the event that facsimile transmission facilities are not operational, such notices and communications may be given by mail, but the sender shall use reasonable efforts to confirm facsimile transmission facilities shall become operational. All such notices and communications shall be effective when delivered by hand, or, in the case of mail, upon the earlier of receipt and confirmation by facsimile transmission as provided below, or, in the case of facsimile transmission, when sent as addressed as set forth herein and confirmation of delivery is received. The addresses of the Company and Member shall be as set forth in Section 2.5, provided that each party to this Agreement may, from time to time, change its notice address, by giving notice to the Company and the other parties herein in the manner provided in this Section.

11.10 AMENDMENTS. Subject to Section 2.6, all amendments to this Agreement will be in writing and signed by the Member and approved by the Board of Managers; provided that no amendment to this Agreement will be made to the extent prohibited by the Loan Documents if obligations of the Company and its Affiliates to the Lenders thereof are outstanding or if it would give rise to a breach or default thereunder.

11.11 MULTIPLE COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

11.12 REMEDIES CUMULATIVE. The remedies under this Agreement are cumulative and shall not exclude any other remedies to which any Person may be lawfully entitled.

11.13 CHOICE OF LAW. This Agreement shall be governed by, and shall be construed in accordance with, the laws of the State of Delaware (without regard to conflict of laws principles).

11.14 BINDING AGREEMENT. Notwithstanding any other provision of this Agreement, the Member agrees that this Agreement constitutes a legal, valid and binding agreement of the Member and is enforceable against the Member by the Independent Managers, in accordance with its terms. In addition, the Independent Managers shall be intended beneficiaries of this Agreement.

IN WITNESS WHEREOF, Member and the Independent Managers have executed this Agreement, effective as of the date first written above.

731 COMMERCIAL HOLDING LLC
a Delaware limited liability company

By: Alexander's, Inc., member

By: /s/ Brian Kurtz

Name: Brian Kurtz

Title: Assistant Secretary

INDEPENDENT MANAGERS:

/s/ Domenic A. Borriello

Name: Domenic A. Borriello

/s/ Kim E. Lutthans

Name: Kim E. Lutthans

SCHEDULE 1.21

1. Gap Note (the "Gap Note") made by the Company and Residential SPE to Lender in the principal amount of \$500,000;
2. Consolidated, Amended and Restated Building Loan Note (the "Building Loan Note") made by the Company and Residential SPE to each Lender in the aggregate principal amount of \$55,500,000;
3. Building Loan Agreement (the "Building Loan Agreement") made by and between the Company, Residential SPE and Lender with respect to the Building Loan (as defined in the Building Loan Agreement);
4. Gap Mortgage (the "Gap Mortgage") given by the Company and Residential SPE to Lender as security for the Gap Note and covering the Property;
5. Consolidated, Amended and Restated Building Loan Mortgage, Assignment of Leases and Rents and Security Agreement (the "Building Loan Mortgage") given by the Company and Residential SPE to Lender as security for the Building Loan Note and covering the Property;
6. Assignment of Leases and Rents made by the Company and Residential SPE in favor of Lender as further security for the Building Loan Note;
7. Project Loan Agreement made by and between the Company, Residential SPE and Lender with respect to the Project Loan (as defined in the Building Loan Agreement);
8. Supplemental Loan Agreement made by and between the Company, Residential SPE and Lender with respect to the Supplemental Loan (as defined in the Building Loan Agreement);
9. Environmental Indemnity Agreement made by the Company, Residential SPE and Alexander's, Inc. for the benefit of Lender;
10. UCC-1 Fixture Financing Statements delivered by the Company and Residential SPE, as debtor, to Lender, as secured party relating to the Building Loan Mortgage;
11. UCC-1 Financing Statements delivered by the Company and Residential SPE, as debtor, to Lender, as secured party relating to the Building Loan Mortgage;
12. Subordination of Property Management and Development Agreement and Fees by and among the Company, Residential SPE, Lender and Vornado Management Corp.;
13. Cash Collateral Agreement between the Company, Residential SPE and Lender;

14. Assignment of Contracts, Licenses and Permits made by the Company and Residential SPE in favor of Lender; and
15. Loan Fee Letter from the Company and Residential SPE to Lender.

SCHEDULE 1.29

ALL THAT CERTAIN plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Borough of Manhattan, County, City and State of New York, bounded and described as follows:

BEGINNING at the corner formed by the intersection of the northerly line of East 58th Street with the easterly line of Lexington Avenue;

RUNNING thence northerly, along the easterly line of Lexington Avenue, 200'-10" to the corner formed by the intersection of the southerly line of East 59th Street with the easterly line of Lexington Avenue;

THENCE easterly, along the southerly line of East 59th Street, 420'-0" to the corner formed by the intersection of the southerly line of East 59th Street with the westerly line of Third Avenue;

THENCE southerly, along the westerly line of Third Avenue, 200'-10" to the corner formed by the intersection of the northerly line of East 58th Street with the westerly line of Third Avenue;

THENCE westerly, along the northerly line of East 58th Street, 420'-0" to the point or place of BEGINNING.

LESS AND EXCEPT:

All that portion of the below described parcel lying between a lower horizontal plane drawn at elevation 512'-2" above the datum level used by the Topographical Bureau, Borough of Manhattan, which is 2'-9" above National Geodetic Survey Vertical Datum of 1929, mean sea level, Sandy Hook, New Jersey and an upper horizontal plane drawn at 809'-2" above such datum level bounded and described as follows:

BEGINNING at a point distant 48'-8" north of the northerly line of East 58th Street and 30'-9" east of easterly line of Lexington Avenue;

RUNNING thence northerly, parallel with the easterly line of Lexington Avenue, 12'-6";

THENCE westerly, parallel with the northerly line of East 58th Street, 5'-10";

THENCE northerly, parallel with the easterly line of Lexington Ave., 78'-6";

THENCE easterly, parallel with the northerly line of East 58th Street, 5'-10";

THENCE northerly, parallel with the easterly line of Lexington Avenue, 12'-6";

THENCE easterly, parallel with the northerly line of East 58th Street, 103'-6";

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7'-6";

THENCE easterly, parallel with the northerly line of East 58th Street, 35"-0";

THENCE southerly, parallel with the easterly line of Lexington Avenue, 88'-6";

THENCE westerly, parallel with the northerly line of East 58th Street, 35'-0";

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7'-6";

THENCE westerly, parallel with the northerly line of East 58th Street, 103'-6" to the point or place of BEGINNING.

AMENDED AND RESTATED
CREDIT AGREEMENT

dated as of July 3, 2002

among

59TH STREET CORPORATION
as Borrower

and

VORNADO LENDING L.L.C.,
(formerly known as Vornado Lending Corp.)
as Lender

TABLE OF CONTENTS

	Page

ARTICLE I. DEFINITIONS AND ACCOUNTING TERMS.....	1
SECTION 1.01. Certain Defined Terms.....	1
SECTION 1.02. Computation of Time Periods.....	9
SECTION 1.03. Accounting Terms.....	9
ARTICLE II. AMOUNTS AND TERMS OF THE ADVANCES.....	9
SECTION 2.01. Intentionally Omitted.....	9
SECTION 2.02. Repayment.....	9
SECTION 2.03. Prepayments.....	9
SECTION 2.04. Interest.....	9
SECTION 2.05. Increased Costs.....	10
SECTION 2.06. Payments and Computations.....	10
SECTION 2.07. Taxes.....	11
SECTION 2.08. Payment of Certain Costs and Expenses.....	12
SECTION 2.09. Use of Proceeds.....	13
ARTICLE III. CONDITIONS OF LENDING.....	13
SECTION 3.01. Intentionally Omitted.....	13
ARTICLE IV. REPRESENTATIONS AND WARRANTIES.....	13
SECTION 4.01. Representations and Warranties of the Borrower.	13
ARTICLE V. COVENANTS.....	16
SECTION 5.01. Affirmative Covenants of the Borrower.....	16
SECTION 5.02. Negative Covenants.....	19
SECTION 5.03. Reporting Requirements.....	22
SECTION 5.04. Covenants of the Lender.....	23
ARTICLE VI. SPECIAL PROVISIONS.....	24
SECTION 6.01. Condemnation and Casualty.....	24
SECTION 6.02. Payment of REIT Dividends.....	25
ARTICLE VII. EVENTS OF DEFAULT.....	25
SECTION 7.01. Events of Default.....	25
ARTICLE VIII. MISCELLANEOUS.....	27
SECTION 8.01. Amendments, Etc.....	27

SECTION 8.02.	Notices, Etc.....	28
SECTION 8.03.	No Waiver; Remedies.....	29
SECTION 8.04.	Costs, Expenses.....	29
SECTION 8.05.	Merger.....	30
SECTION 8.06.	Binding Effect.....	30
SECTION 8.07.	Lender's Discretion.....	30
SECTION 8.08.	Participations.....	30
SECTION 8.09.	Governing Law.....	31
SECTION 8.10.	Execution in Counterparts.....	31
SECTION 8.11.	Waiver of Jury Trial.....	31
SECTION 8.12.	Jurisdiction.....	31
SECTION 8.13.	Continuing Enforcement.....	32

Schedule I	-	Properties
Schedule II	-	Conflicts under Loan Documents
Schedule III	-	Required Authorizations
Schedule IV	-	Disclosed Litigation
Schedule V(a)	-	Environmental Non-Compliance
Schedule V(b)	-	Environmental Reports
Schedule VI	-	Defaults under Material Agreements
Schedule VII	-	Non-compliance with Laws
Exhibit A	-	Form of Note
Exhibit B-1	-	Form of Guaranty
Exhibit B-2	-	Form of Guaranty
Exhibit C	-	Form of Non-Disturbance Agreement
Exhibit D	-	Form of Mortgage
Exhibit E	-	Form of Assignment of Collateral Account and Security Agreement
Exhibit F	-	Form of Deposit Account Control Agreement
Exhibit G	-	Form of Pledge Agreement

AMENDED AND RESTATED CREDIT AGREEMENT ("CREDIT AGREEMENT") dated as of July 3, 2002 by and between 59th Street Corporation, a Delaware corporation ("59th Street Corp." or the "Borrower"), as borrower, and Vornado Lending L.L.C., a New Jersey limited liability company (the "Lender"), as lender.

(1) WHEREAS, Alexander's Inc., a Delaware corporation ("ALEXANDER'S") and Lender entered into that certain Credit Agreement, dated as of October 20, 1999 (as heretofore amended, the "ORIGINAL CREDIT AGREEMENT"), pursuant to which Lender advanced to Alexander's the amount of Fifty Million and 00/100 Dollars (\$50,000,000.00);

(2) WHEREAS, Alexander's has requested that Lender release Alexander's from its obligations as borrower under the Original Credit Agreement and accept Borrower as the substitute borrower thereunder;

(3) WHEREAS, the outstanding principal amount under the Original Credit Agreement has been reduced by \$10,000,000 and such \$10,000,000 is now secured by the Credit Agreement and other related documents being entered into by Alexander's with Lender simultaneously herewith in the amount of \$35,000,000;

(4) WHEREAS, the Lender is willing to release Alexander's and accept Borrower's assumption of the obligations of Alexander's under the Original Credit Agreement, in the reduced amount of \$40,000,000, upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

A. Effective as of the date hereof, Alexander's is hereby released from its obligations under the Original Credit Agreement and Borrower hereby assumes such obligations, as amended and restated herein, in the reduced, current outstanding principal amount of \$40,000,000;

B. Effective as of the date hereof, the Original Credit Agreement is hereby restated and amended in its entirety and 59th Street Corp. is substituted as borrower thereunder as set forth below.

ARTICLE I.

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Credit Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"59th Street Property" means the Property designated on Schedule I to this Credit Agreement as the "59th Street Property."

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling," "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 20% or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Assignment of Collateral Account and Security Agreement" means the Assignment of Collateral Account and Security Agreement, substantially in the form of Exhibit E hereto.

"Borrower" has the meaning specified in the recital of parties to this Credit Agreement.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday on which banks are not required or authorized to close in New York City.

"Capitalized Leases" has the meaning specified in clause (e) of the definition of Debt.

"Cash Collateral Account" has the meaning specified in Section 6.01.

"Cash Collateral Agreement" has the meaning specified in Section 6.01.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as the same may be amended from time to time.

"Closing Date" means July 3, 2002.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means all "Collateral" referred to in the Collateral Documents and all other property that is subject to any Lien in favor of the Lender.

"Collateral Documents" means collectively each Guaranty, Mortgage, Pledge Agreement and the Lockbox Documents.

"Confidential Information" means information that the Borrower furnishes to the Lender on a confidential basis, but does not include any such information that is or becomes generally available to the public other than as a result of a breach by the Lender of its obligations hereunder or that is or becomes available to the Lender from a source other than the Borrower that is not, to the best of the Lender's knowledge, acting in violation of a confidentiality agreement with the Borrower.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Construction Loan" shall have the meaning given to such term in Section 5.01(m) hereof.

"Debt" of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all Obligations of such Person for the deferred purchase price of property or services (other than trade payables not overdue by more than 60 days incurred in the ordinary course of such Person's business), (c) all Obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all Obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Obligations of such Person as lessee under leases that have been or should be, in accordance with GAAP, recorded as capital leases ("Capitalized Leases"), (f) all Obligations, contingent or otherwise, of such Person under acceptance, letter of credit or similar facilities, (g) all Debt of others referred to in clauses (a) through (f) above guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (i) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (ii) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss, (iii) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (iv) otherwise to assure a creditor against loss, and (h) all Debt referred to in clauses (a) through (f) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Default Rate" means 4% per annum above the rate per annum required to be paid on the Loan pursuant to Section 2.04(a).

"Deposit Account Control Agreement" means the Control Agreement for Notification and Acknowledgement of Security Interest in Deposit Accounts substantially in the form of Exhibit F hereto.

"Disclosed Litigation" means the matters described on Schedule IV hereto.

"Environmental Action" means any administrative, regulatory or judicial action, suit, demand, demand letter, claim, notice of non-compliance or violation, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law or any Environmental Permit including, without limitation, (a) any written claim by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any Environmental Law and (b) any written claim by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"Environmental Law" means any applicable federal, state or local law, rule, regulation, order, writ, judgment, injunction, decree, determination or award relating to the environment, health, safety or Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"Events of Default" has the meaning specified in Section 7.01.

"Existing Debt" means Debt of the Borrower outstanding immediately before the time of execution of this Credit Agreement.

"Flushing Property" means the ground leasehold estate on the Property designated on Schedule I to this Credit Agreement as the "Flushing Property."

"GAAP" has the meaning specified in Section 1.03.

"Guarantor" means each of Alexander's, Inc., Alexander's of Rego Park II, Inc., Alexander's of Rego Park III, Inc., Alexander's of Third Avenue, Inc., and Alexander's of Flushing, Inc. and subsequent assignees thereof and any other Person who shall execute a Guaranty after the date hereof.

"Guaranty" means the Guaranty as to Alexander's, substantially in the form of Exhibit B-1 to this Credit Agreement, and in the case of each other Guarantor, substantially in the form of Exhibit B-2 to the Credit Agreement, as amended from time to time, duly executed as of the Closing Date by each Guarantor.

"Hazardous Materials" means (a) petroleum or petroleum products, natural or synthetic gas, asbestos in any form that is friable, urea formaldehyde foam insulation and radon gas, (b) any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminants" or "pollutants," or words of similar import, under any Environmental Law and (c) any other substance exposure to which is regulated under any Environmental Law.

"Indemnified Party" has the meaning specified in Section 8.04(b).

"Interest Rate" means a rate equal to the one-year treasury bill rate (the "Base Rate") as of March 15, 2002 plus 9.48%, such rate to be reset quarterly (i.e., on June 15, September 15, December 15 and March 15) to equal the Base Rate as of the reset date plus 9.48%; provided, however, that if the one-year treasury bill rate as of any reset date is less than 3%, the Base Rate for purposes of such reset shall be 3%.

"Leasing Agreement" means (a) that certain 59th Street Real Estate Retention Agreement, dated as of the date hereof, among Vornado Realty Trust and the Borrower as amended from time to time, and (b) that certain Real Estate Retention Agreement dated July, 1992 between Vornado, Inc., Alexander's and certain other parties as amended by Amendment to Real Estate Retention Agreement, dated as of the date hereof.

"Lender's Account" means an account of or specified by the Lender and, until the Lender shall notify the Borrower of a change in such account, shall mean the account of Vornado Lending L.L.C. maintained at Fleet Bank (Account No. 9403934589).

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"Loan" means the loan from Lender to Borrower in the amount of \$40,000,000 evidenced by this Credit Agreement.

"Loan Documents" means this Amended and Restated Credit Agreement, the Amended and Restated Note, the Collateral Documents and the Guaranty and any other documents executed by any Loan Party in connection with the Loan.

"Loan Obligations" means all amounts due and payable to the Lender under the Loan Documents.

"Loan Parties" means the Borrower, each Guarantor, and each Mortgagor.

"Lockbox Documents" means collectively, that certain Assignment of Collateral Account and Security Agreement and that certain Deposit Account Control Agreement, each dated on or about the date hereof.

"Major Lease" means any lease at Property (i) for an entire free-standing building, including without limitation a building to be constructed, (ii) for over 10,000 rentable square feet, or (iii) with an anchor tenant.

"Management Agreement" means (a) that certain 59th Street Management and Development Agreement, dated as of the date hereof, between 731 Residential LLC, 731 Commercial LLC and Vornado Management Corp., as amended from time to time, and (b) that certain Amended and Restated Management Agreement

dated as of the date hereof between Alexander's and Vornado Management Corp., as amended from time to time.

"Material Adverse Change" means any material adverse change in the business, financial condition, operations, performance or properties of the Borrower and the Loan Parties taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, financial condition, operations, performance or properties of the Borrower and the Loan Parties taken as a whole, (b) the rights and remedies of the Lender under any Loan Document or related Document or (c) the ability of any Loan Party to perform its Obligations under any Loan Document or related Document to which it is or is to be a party.

"Maturity Date" means the earlier of (i) January 3, 2006 and (ii) the date on which the Construction Loan is paid in full.

"Mortgage" or "Mortgages" means one or more mortgages, in substantially the form of Exhibit D to this Credit Agreement and covering all or any of the Properties, as the same may be amended from time to time, duly executed by the applicable Mortgagor in favor of Lender.

"Mortgagor" means the Alexander's of Rego Park II, Inc., Alexander's of Rego Park III, Inc., Alexander's of Third Avenue or other mortgagor under a Mortgage, provided that any Mortgagor shall cease to be a Mortgagor upon the release or satisfaction of that Mortgagor's mortgage.

"Note" or "Notes" means, collectively, the promissory notes of the Borrower payable to the order of the Lender, in substantially the form of Exhibit A hereto, as amended from time to time, evidencing the indebtedness of the Borrower to the Lender resulting from the Loan made by the Lender.

"Obligation" means, with respect to any Person, any obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any proceeding referred to in Section 7.01(f). Without limiting the generality of the foregoing, the Obligations of the Loan Parties under the Loan Documents include (a) the obligation to pay principal, interest, charges, expenses, fees, reasonable attorneys' fees and disbursements, indemnities and other amounts payable by any Loan Party under any Loan Document and (b) the obligation to reimburse any amount in respect of any of the foregoing that the Lender, in accordance with the terms of the applicable Loan Document, may elect to pay or advance on behalf of such Loan Party.

"Other Taxes" has the meaning specified in Section 2.07(b).

"Other Vornado Loans" means, collectively (i) that certain loan in the principal amount of \$20,000,000 evidenced by a Credit Agreement dated as of even date herewith from Lender, as lender to Alexander's, as borrower; (ii) that certain loan in the principal amount of \$35,000,000 evidenced by a Credit Agreement dated as of even date herewith from Lender, as lender, to Alexander's, as borrower; (iii) that certain credit line in the maximum principal amount of \$50,000,000 evidenced by an Amended and Restated Credit Line Agreement dated as of even date herewith, from Lender, as lender, to Alexander's, as borrower; and (iv) the Reimbursement Facility.

"Participant" has the meaning set forth in Section 8.08.

"Permitted Encumbrances" has the meaning specified in the Mortgages.

"Permitted Liens" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) Liens for taxes, assessments and governmental charges or levies not yet due and payable; (b) Permitted Encumbrances; (c) with respect to any real property acquired by Borrower, Alexander's or any Subsidiary or Affiliate of Borrower or Alexander's after the date hereof, liens to which such property is subject as of the date of such acquisition, purchase money mortgages or other similar purchase liens and liens in favor of lenders providing construction or development financing in connection with such property provided, that all proceeds of such financings are used for construction or development of such property or the retirement of Existing Debt secured by one or more liens on such property; (d) Liens permitted to be incurred by Borrower pursuant to the terms of this Credit Agreement; (e) Liens in connection with taxes being contested in good faith in compliance with this Credit Agreement; (f) Liens securing the Construction Loan; and (g) any renewal or replacement of any Lien permitted pursuant to the foregoing clauses (a) through (g), inclusive, provided that any such renewal or replacement Lien secures Debt in an amount not in excess of the Debt secured by the Lien so renewed or replaced, provided, however, that notwithstanding the foregoing, the Lender shall not be required to subordinate to any Lien pursuant to this clause except as otherwise provided in this Credit Agreement.

"Permitted Related Owner" means any of (a) any Subsidiary now existing or hereafter created all shares of issued and outstanding capital stock of which are owned by Alexander's or (b) a corporation (x) 90% or more of the economic interests of which shall be held by Alexander's through the ownership of shares of preferred and/or common stock of such corporation and (y) 10% or less of the economic interests of which shall be held by an entity reasonably satisfactory to the Lender through the ownership of shares of common and/or preferred stock of such corporation; provided that such Subsidiary or corporation enters into a guaranty substantially in the form of the Guaranty pursuant to which it guarantees the obligations of the Borrower under the Notes, the obligations of Alexander's

under its Guaranty or (c) 731 Commercial LLC, 731 Residential LLC, 731 Commercial Holding LLC and 731 Residential Holding LLC. The conditions regarding share ownership set forth in clauses (x) and (y) above may be varied to the extent necessary for any income received by Alexander's to be described in Section 856(c)(2) of the Code or for Alexander's to continue to qualify as a REIT.

"Person" means an individual, partnership, limited liability company, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Pledge Agreement" means that certain Amended and Restated Pledge Agreement substantially in the form of Exhibit G hereto.

"Prepayment Date" has the meaning specified in Section 2.03.

"Properties" means the properties listed on Schedule I to this Credit Agreement and any real property acquired by the Borrower or any Mortgagor after the Closing Date.

"Rego Park II Property" means the Property designated on Schedule I to this Credit Agreement as the "Rego Park II Property".

"Rego Park III Property" means the Property designated on Schedule I to this Credit Agreement as the "Rego Park III Property".

"Reimbursement Facility" means the credit facility evidenced by the Reimbursement Agreement, dated the date hereof, by and among Alexander's, Inc., 731 Commercial LLC and 731 Residential LLC, as Obligor, and Vornado Realty, L.P.

"REIT" means an entity described in Section 856(a) of the Code and entitled to the benefits of Section 857(a) of the Code.

"Secured Debt" means any Debt of the Borrower incurred after the Closing Date that is secured by any of the Properties and/or the Collateral and that otherwise contains terms and conditions satisfactory to the Lender.

"Subordinate Debt" means any Debt of the Borrower that is subordinated to the Loan Obligations under the Loan Documents on, and that otherwise contains, terms and conditions satisfactory to the Lender.

"Subsidiary" means, with respect to the Borrower, any corporation of which more than 50% of the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned or controlled by the

Borrower, by the Borrower and one or more of its other Subsidiaries or by one or more of the Borrower's other Subsidiaries.

"Taxes" has the meaning specified in Section 2.07(a).

"Third Avenue Property" means the Property designated in Schedule I to this Credit Agreement as the "Third Avenue Property".

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

SECTION 1.02. Computation of Time Periods. In this Credit Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.01(f) ("GAAP").

ARTICLE II.

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. Intentionally Omitted.

SECTION 2.02. Repayment. The Borrower shall repay to the Lender the aggregate principal amount of the Loan and all other Loan Obligations on the Maturity Date or on such earlier date as the Loan Obligations become due as provided in the Loan Documents.

SECTION 2.03. Prepayments. The Borrower may, upon at least two (2) days' notice to the Lender prepay all or any portion of the outstanding principal amount of the Loan, together with (i) accrued interest to the date of such prepayment on the principal amount prepaid and (ii) if the entire outstanding principal amount of the Loan is repaid, all other accrued and unpaid amounts due hereunder or under any other Loan Document.

SECTION 2.04. Interest. (a) Ordinary Interest. The Borrower shall pay interest on the unpaid principal amount of the Loan owing to the Lender from the Closing Date, until such principal amount shall be paid in full, payable in arrears on the fifteenth day of each month (each an "Interest Payment Date") at a rate per annum equal to the Interest Rate, but in no event shall the Loans be repaid later than the Maturity Date.

(b) Default Interest. From and after the Maturity Date and upon the occurrence and during the continuance of an Event of Default specified in Section 7.01 of this Credit Agreement, the Borrower shall pay interest on (i) the unpaid principal amount of the Loan and

(ii) the amount of any interest, fee or other amount due and payable hereunder which is not paid when due, from the date such amount shall be due until such amount shall be paid in full, in either clause (i) or (ii) payable immediately on the Maturity Date or on demand after such occurrence and during such continuance, at a rate per annum equal at all times to the Default Rate.

(c) Late Charges. In the event any payment of principal or any interest is not made within five (5) days after the date on which such amount first becomes due and payable, the Lender may, at its option, require the Borrower to make an additional payment to the Lender as a late charge in an amount equal to 5% of such overdue amount.

SECTION 2.05. Increased Costs. If, with respect to any assignee of the Lender or a Participant that is a bank (a "Bank Lender"), due to either (i) the introduction of or any change in or in the interpretation of any law or regulation (other than a law or regulation relating to taxes) or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the amount of capital required by such Bank Lender or authority to be maintained by such Bank Lender or any corporation controlling Bank Lender as a result of or based upon the existence of Bank Lender's commitment to lend hereunder then, upon demand by Bank Lender, the Borrower shall pay to Bank Lender, from time to time as reasonably specified by Bank Lender, additional amounts sufficient to compensate Bank Lender in the light of such circumstances, to the extent that Bank Lender reasonably determines such increase in capital to be allocable to the existence of the Loan.

SECTION 2.06. Payments and Computations. (a) The Borrower shall make each payment required to be made hereunder and under the Notes not later than 11:00 A.M., New York City time, on the day when due in U.S. dollars to the Lender at the Lender's Account in immediately available (same day) funds.

(b) All computations of interest and fees shall be made by the Lender on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Lender of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest.

(d) The Borrower covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury or similar law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Credit Agreement, the Notes or the other Loan Documents; and the Borrower (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Lender, but will suffer and permit the

execution of every such power as though no such law had been enacted. It is the intent of the Lender and the Borrower in the execution of the Notes, this Credit Agreement and all other instruments now or hereafter securing the Notes or executed in connection therewith or under any other written or oral agreement by the Borrower in favor of the Lender to contract in strict compliance with applicable usury law. In furtherance thereof, the Lender and the Borrower stipulate and agree that none of the terms and provisions contained in the Notes, this Credit Agreement or any other instrument securing the Notes or executed in connection herewith, or in any other written or oral agreement by the Borrower in favor of the Lender, shall ever be construed to create a contract to pay for the use, forbearance or detention of money, interest at a rate in excess of the maximum interest rate permitted to be charged by applicable law. Neither the Borrower nor any guarantors, endorsers or other parties now or hereafter becoming liable for payment of the Notes shall ever be required to pay interest on the Notes or on indebtedness arising under any instrument securing the Notes or executed in connection therewith, or in any other written or oral agreement by the Borrower in favor of the Lender, at a rate in excess of the maximum interest that may be lawfully charged under applicable law, and the provisions of this Section 2.06(d) shall control over all other provisions of the Notes, this Credit Agreement and any other instruments now or hereafter securing the Notes or executed in connection herewith or any other oral or written agreements that may be in apparent conflict herewith. The Lender expressly disavows any intention to charge or collect excessive unearned interest or finance charges in the event the maturity of the Notes is accelerated. If the maturity of the Notes shall be accelerated for any reason or if the principal of the Notes is paid prior to the end of the term of the Notes, and as a result thereof the interest received for the actual period of existence of the Loan exceeds the applicable maximum lawful rate, the Lender shall, at its option, either refund to the Borrower the amount of such excess or credit the amount of such excess against the principal balance of the Notes then outstanding and thereby shall render inapplicable any and all penalties of any kind provided by applicable law as a result of such excess interest. In the event that the Lender shall collect monies and/or any other thing of value that are then or at any time deemed to constitute interest that would increase the effective interest rate on the Notes to a rate in excess of that permitted to be charged by applicable law, an amount equal to interest in excess of the lawful rate shall, upon such determination, at the option of the Lender, be either immediately returned to the Borrower or credited against the principal balance of the Notes then outstanding, in which event any and all penalties of any kind under applicable law as a result of such excess interest shall be inapplicable. By execution of this Credit Agreement, the Borrower acknowledges that it believes the Loan to be non-usurious and agrees that if, at any time, the Borrower should have reason to believe, that the Loan is in fact usurious, it will give the Lender notice of such condition and the Borrower agrees that the Lender shall have ninety (90) days after receipt of such notice in which to make appropriate refund or other adjustment in order to correct such condition if in fact such exists.

SECTION 2.07. Taxes. (a) Any and all payments by the Borrower hereunder or under the Notes shall be made, in accordance with this Section 2.07, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings other than (i) net income taxes, franchise taxes and similar taxes imposed on the Lender or a Participant, (ii) any tax, assessment or other governmental charge that would not have been imposed but for the failure of the Lender or a purchaser of all or a portion of the Lender's or a Participant's rights and obligations under this Credit Agreement to comply with any certification, identification or other reporting requirements concerning the nationality, residence,

identity or connection with the United States of the Lender or a Participant, if compliance is required by statute or by regulation of the United States Treasury Department as a precondition to exemption from such tax, assessment or other governmental charge, (iii) any tax, assessment or other governmental charge that would not have been imposed but for either (a) a sale or other transfer of all or a portion of the Lender's or a Participant's rights and obligations under this Credit Agreement to a Person that is not an entity that is treated as a corporation organized or created under the laws of the United States or of any State for U.S. federal tax purposes or (b) Lender's merger or consolidation with, or transfer of substantially all of its assets to, another entity, and (iv) any tax, assessment or other governmental charge that would not have been imposed but for any present or former connection between the Lender or a Participant (or a shareholder of the Lender or a Participant) and the jurisdiction imposing such tax, assessment or other governmental charge, including, without limitation, the Lender or a Participant's being or having been a citizen or resident of, present or engaged in a trade or business in, such jurisdiction, but excluding a connection arising solely as a result of the Lender's having entered into, received payments under and enforced this Credit Agreement (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under the Notes to the Lender, (i) the sum payable shall be increased as may be necessary so that after making all required deductions for Taxes (including deductions ("Additional Taxes") applicable to additional sums payable pursuant to this sentence), the Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any present or future stamp, documentary, excise, property or similar taxes, charges or levies that arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, or otherwise with respect to, this Credit Agreement or the Notes (hereinafter referred to as "Other Taxes").

(c) The Borrower shall indemnify the Lender for the full amount of Taxes, and Other Taxes, paid by the Lender and any liability (including penalties, additions to tax, Additional Taxes, interest and expenses) arising therefrom or with respect thereto except as may arise as a result of the Lender's gross negligence or willful misconduct.

(d) Within 30 days after the date of any payment of Taxes, the Borrower shall furnish to the Lender, at its address referred to in Section 8.02, the original receipt of payment thereof or a certified copy of such receipt.

(e) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.07 shall survive the payment in full of principal and interest hereunder and under the Note.

SECTION 2.08. Payment of Certain Costs and Expenses. The Borrower shall pay to the Lender within five (5) days after demand therefor all reasonable costs and expenses (including reasonable attorneys' fees and disbursements) incurred by the Lender in connection with (i) the approval of any lease, (ii) the preparation, negotiation and execution of any non-disturbance agreement requested for any lease, (iii) review and approval of any plans,

construction contracts or any other documents relating to construction or development of a Property; and (iv) the assignment of any liens of the Mortgages.

SECTION 2.09. Use of Proceeds. The proceeds of the Loan shall be available (and the Borrower agrees that it shall use such proceeds) only to provide working capital for the Borrower and its Subsidiaries.

ARTICLE III.

CONDITIONS OF LENDING

SECTION 3.01. Intentionally Omitted.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) Each Loan Party that is a corporation (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of its incorporation, (ii) is duly qualified and in good standing as a foreign corporation in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed is not reasonably likely to have a Material Adverse Effect and (iii) has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

(b) Each Loan Party that is a partnership or a limited liability company (i) is a partnership or a limited liability company duly formed and validly existing under the laws of the State of its formation, (ii) is duly qualified in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed is not reasonably likely to have a Material Adverse Effect and (iii) has all requisite partnership or limited liability company power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

(c) The execution, delivery and performance by each Loan Party of this Credit Agreement, the Notes, each other Loan Document and each related document to which it is or is to be a party, and the consummation of the transactions contemplated herein and therein, are within such Loan Party's corporate, partnership or limited liability company powers, have been duly authorized by all necessary corporate, partnership or limited liability company action, and, to each such Loan Party's knowledge, do not (i) contravene such Loan Party's organizational documents, (ii) violate any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award, except where such violation is not reasonably likely to have a Material

Adverse Effect except as set forth on Schedule II hereof, (iii) except as set forth on Schedule II hereof, conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting any Loan Party, any of its Subsidiaries or any of their properties, except where such conflict, breach or default is not reasonably likely to have a Material Adverse Effect or (iv) except for the Liens created by the Collateral Documents result in or require the creation or imposition of any Lien upon or with respect to any of the properties of any Loan Party or any of its Subsidiaries.

(d) Other than as set forth on Schedule III hereof, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for (i) the due execution, delivery, recordation, filing or performance by any Loan Party of this Credit Agreement, the Notes, any other Loan Document or any related document to which it is or is to be a party, or for the consummation of the transactions contemplated hereby, (ii) the grant by any Loan Party of the Liens granted by it pursuant to the Collateral Documents, (iii) the perfection or maintenance of the Liens created by the Collateral Documents or (iv) the exercise by the Lender of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Collateral Documents.

(e) This Credit Agreement has been, and the Notes, each other Loan Document and each related document when delivered hereunder will have been, duly executed and delivered by each Loan Party thereto. This Credit Agreement is, and the Notes, each other Loan Document and each related Document when delivered hereunder will be, the legal, valid and binding obligation of each Loan Party thereto, enforceable against such Loan Party in accordance with its terms.

(f) The Consolidated balance sheet of the Borrower and its Subsidiaries as of March 31, 2002, and the related Consolidated statement of income and cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, and the Consolidated balance sheet of the Borrower, and its Subsidiaries as at March 31, 2002 and the related Consolidated statement of income and cash flows of the Borrower and its Subsidiaries for the nine months then ended, duly certified by the Chairman of the Board of Borrower or any other officer of Borrower, copies of which have been furnished to the Lender, fairly present, subject, in the case of said balance sheet as at March 31, 2002, and said statement of income and cash flows for the nine months then ended, to year-end audit adjustments, the Consolidated financial condition of the Borrower and its Subsidiaries as at such dates and the Consolidated results of the operations of the Borrower and its Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles applied on a consistent basis. Since March 31, 2002, there has been no Material Adverse Change.

(g) All financial statements delivered by any Loan Party to the Lender, are true, correct and complete in all material respects, fairly represent such Loan Party's financial condition as of the date hereof and thereof, and no information has been omitted that would make the information previously furnished misleading or incorrect in any material respect.

(h) To such Loan Party's knowledge, there is no action, suit, investigation, litigation or proceeding affecting any Loan Party not covered by insurance (subject to reasonable deductibles), including any Environmental Action, pending before any court, governmental

agency or arbitrator that (i) would be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation) or (ii) purports to affect the legality, validity or enforceability of this Credit Agreement, the Notes, any other Loan Document or any Related Document or the consummation of the transactions contemplated hereby, and there has been no adverse change in the status or financial effect on any Loan Party of the Disclosed Litigation from that described on Schedule IV hereof.

(i) Except as set forth on Schedule V(a) hereof to such Loan Party's knowledge, the operations and properties of each Loan Party and each of its Subsidiaries comply in all material respects with all Environmental Laws, all necessary Environmental Permits have been obtained and are in effect for the operations and properties of each Loan Party and its Subsidiaries, each Loan Party and its Subsidiaries are in compliance in all material respects with all such Environmental Permits, and, no circumstances exist that would be reasonably likely to (i) form the basis of an Environmental Action against any Loan Party or any of its Subsidiaries or any properties described in the Mortgages or the 59th Street Property that could have a Material Adverse Effect or (ii) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

(j) Except as set forth in the environmental reports heretofore delivered to the Lender as set forth on Schedule V(b) hereof, none of the operations and properties of each Loan Party is listed or, to the knowledge of any Loan Party, proposed for listing on the National Priorities List under CERCLA or on the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the Environmental Protection Agency or any analogous state list of sites requiring investigation or cleanup or is adjacent to any such property. Except as would not have a Material Adverse Effect, no underground storage tanks, as such term is defined in 42 U.S.C. Section 6991, are located on any property in violation of applicable Environmental Laws. Except as set forth on the environmental reports heretofore provided to the Lender, the Borrower has no knowledge of any underground storage tank located on any Property adjoining any Property.

(k) Each Loan Party and each of its Subsidiaries has filed or has caused to be filed all income tax returns (Federal, state and local) required to be filed and has paid all taxes shown thereon to be due, together with applicable interest and penalties. The Borrower is not aware of any material unasserted claims for prior taxes against it for which adequate reserves satisfactory to the Lender have not been established.

(l) Each Mortgagor, and each of 731 Commercial LLC and 731 Residential LLC has good, marketable and insurable fee simple title to the real property described in the Mortgage executed and delivered by such Mortgagor and the 59th Street Property, as applicable, free and clear of all Liens, other than those disclosed on such Schedule and Liens created or permitted by the Loan Documents.

(m) Except as set forth on Schedule VI hereof, no Loan Party is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained herein or in any material agreement or instrument to which it is a party or by which it or any of its properties is bound.

(n) As of the date hereof, there has been no Material Adverse Change since the date of the most recent financial statements provided by the Borrower or such Loan Party to the Lender.

(o) No Loan Document or other document, certificate or statement furnished to the Lender by or on behalf of the Borrower or any other Loan Party contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. It is specifically understood by the Borrower that all such statements, representations and warranties shall be deemed to have been relied upon by the Lender as an inducement to make the Loan to the Borrower.

ARTICLE V.

COVENANTS

SECTION 5.01. Affirmative Covenants of the Borrower. So long as any portion of the Loan shall remain unpaid, the Borrower will, unless the Lender shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply and cause its Subsidiaries to comply in all respects, with all applicable laws, rules, regulations and orders, except as set forth on Schedule VII hereof, or except where such non-compliance is not likely to have a Material Adverse Effect; and keep, and cause each Subsidiary to keep, at all times in full force and effect all authorizations required for the continued use and operation of the properties of the Borrower except as set forth on such Schedule.

(b) Payment of Taxes, Etc. Prepare and timely file all federal, state and local tax returns required to be filed by the Borrower and promptly pay and discharge all taxes, assessments and other governmental charges, imposed upon the Borrower or its income or any of its property, and cause each Subsidiary to do so, with respect to real estate taxes, before interest and penalties commence to accrue thereon and, with respect to all other taxes, before they become a Lien upon such property, except for those taxes, assessments and other governmental charges then being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary has maintained adequate reserves and with respect to which (i) there is a not a reasonable likelihood, in the judgment of the Lender, that the Borrower or the Lender shall be subject to any risk of criminal or material civil liability and (ii) there is not a reasonable likelihood, in the judgment of the Lender, that the Borrower's or any of its Subsidiaries' properties shall be subject to the risk, respectively, of forfeiture or impairment, provided, however, that all real estate taxes must be paid when due. The Borrower shall submit to the Lender, upon request, an affidavit signed by the Borrower certifying that all federal, state and local income tax returns have been filed to date and all real property taxes, assessments and other governmental charges with respect to the Borrower's or any Subsidiary's properties have been paid to date.

(c) Compliance with Environmental Laws. Except as set forth on Schedule V(a) hereof, comply, and cause each of its Subsidiaries and all lessees and other Persons occupying its properties to comply, in all material respects, with all Environmental Laws and Environmental

Permits applicable to its operations and properties, except where the non-compliance with such laws or the absence or non-renewal of such permits is not likely to have a Material Adverse Effect; obtain and renew all Environmental Permits necessary for its operations and properties, except where such non-compliance is not likely to have a Material Adverse Effect; and to the extent and in the timeframe required by applicable Environmental Law conduct, and cause each of its Subsidiaries to conduct, any investigation, study, sampling and testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Materials from any of its properties, in accordance with the requirements of all Environmental Laws; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to undertake any such cleanup, removal, remedial or other action to the extent that its obligation to do so is being contested in good faith and by proper proceedings and with respect to which (i) there is no reasonable likelihood of any risk of criminal or material civil liability to the Lender, (ii) there is no reasonable likelihood that the Borrower's or any of its Subsidiaries' properties or the lien of the Mortgages shall be subject to the risk, respectively, of forfeiture or impairment and (iii) appropriate reserves are being maintained with respect to such circumstances.

(d) Maintenance of Insurance. Maintain and cause its Subsidiaries to maintain insurance with responsible and reputable insurance companies or associations in such amounts (subject to reasonable deductibles) and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates.

(e) Preservation of Corporation, Partnership or Limited Liability Company Existence, Etc. Preserve and maintain, in full force and effect, and cause each Subsidiary, where applicable, to preserve and maintain its corporate, partnership or limited liability company existence, rights (charter and statutory) and franchises and all authorizations and rights material to its business; provided, however, that neither the Borrower nor any Subsidiary shall be required to preserve any right or franchise if the Board of Directors or general partners of the Borrower shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Borrower, or such Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to the Borrower or such Subsidiary or the Lender.

(f) Inspection Rights. At any reasonable time and from time to time, in each case upon reasonable prior notice, and at such times as shall not unreasonably disrupt tenants, permit the Lender or any agents or representatives thereof, to examine, audit and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower, and any Subsidiary and to discuss the affairs, finances and accounts of, the Borrower or any Subsidiary with any of their officers or directors and with their independent certified public accountants.

(g) Keeping of Books. Keep and cause each Subsidiary to keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in accordance with generally accepted accounting principles in effect from time to time consistently applied.

(h) Compliance with Terms of Lease Agreements. Perform, and cause each Subsidiary to perform, timely all of the obligations, covenants and agreements of the landlord

contained in any lease now or hereafter affecting any of the Properties and require the timely performance by the tenant of all of the obligations, covenants and agreements to be performed by such tenant.

(i) Approval of Leases. The Borrower shall not and shall cause each Subsidiary not to lease space at any of the Properties without the Lender's consent, which consent shall not unreasonably be withheld, provided, however, that no such consent of Lender shall be required for any lease of 10,000 square feet or less unless (i) such lease requires the Lender to provide a non-disturbance agreement to the lessee or (ii) such lease is not on commercially reasonable terms. It is hereby expressly acknowledged and agreed by the Lender that all leases at any Property identified on the certified rent roll delivered to the Lender prior to the date hereof are and shall be deemed to be approved.

(j) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under the Loan Documents with any of their Affiliates or any Permitted Related Owners on terms that are fair and reasonable and no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate. Transactions with the Lender, Vornado Realty Trust and any of its Affiliates pursuant to agreements existing as of the date hereof among Borrower or its Subsidiaries and Vornado Realty Trust and its Affiliates are approved.

(k) Maintenance of Properties. Maintain or cause to be maintained the Properties and all other items constituting Collateral.

(l) Compliance with Loan Documents. Comply and cause each Loan Party to comply with all of its covenants set forth in each of the Loan Documents.

(m) After Acquired Properties. Subject to the requirements of (i) liens existing at the time of acquisition, (ii) purchase money mortgage liens and (iii) liens in connection with construction or development financing which construction or development financing is reasonably acceptable to the Lender, grant to the Lender a valid mortgage lien on, or spread the lien of a Mortgage to encumber, any real property acquired by Borrower or any Subsidiary after the date hereof. Reference is made to that certain Building Loan Agreement, dated as of July 3, 2002 (the "Building Loan Agreement"), by and among 731 Commercial LLC and 731 Residential LLC and Bayerische Hypo-und Vereinsbank, AG (the "Bank"), that certain Project Loan Agreement, dated as of July 3, 2002 (the "Project Loan Agreement"), and that certain Supplemental Loan Agreement, dated as of July 3, 2002 (the "Supplemental Loan Agreement" and together with the Building Loan Agreement and the Project Loan Agreement, the "Loan Agreements") pursuant to which the Bank will lend to 731 Commercial LLC and 731 Residential LLC a maximum of \$_____ million (the "Construction Loan") for the purposes of funding the cost of constructing a ___ square foot mixed residential/office/retail building at the property known as 731 Lexington Avenue, New York, New York (the "Project"). It is understood and agreed that so long as the Construction Loan (and any refinancing thereof that has been approved by Lender and that does not permit a mortgage in favor of Lender to be granted with respect to the 59th Street Property) shall remain outstanding, no such mortgage shall be required with respect to the 59th Street Property.

(n) Trust Fund. In compliance with Section 13 and Article 3-A of the Lien Law of the State of New York, receive all proceeds of the Loan and hold the right to receive all such proceeds as a trust fund to be used first for the purpose of paying the cost of improvement, and apply all such proceeds first to the payment of the cost of improvement before using any part of such proceeds for any other purpose.

(o) Flushing Property. To keep at all times the ground lease covering the Flushing Property in full force and effect.

SECTION 5.02. Negative Covenants. So long as any portion of the Loan Obligations shall remain unpaid, the Borrower will not, or permit any other Loan Party or Subsidiary that directly or indirectly owns a Property to, at any time, without the written consent of the Lender:

(a) Liens, Etc. Create, incur, assume or suffer to exist, or permit any Loan Party or Subsidiary to create, incur, assume or suffer to exist, any Lien on or with respect to any of its properties of any character (including, without limitation, accounts) whether now owned or hereafter acquired, or sign or file, or permit any Loan Party or Subsidiary to sign or file, under the Uniform Commercial Code of any jurisdiction, a financing statement that names the Borrower, or any Mortgagor or any Subsidiary as debtor, or sign, or permit any Loan Party or Subsidiary to sign, any security agreement authorizing any secured party thereunder to file such financing statement, or assign, or permit any Mortgagor or Subsidiary to assign any accounts or other right to receive income, excluding, however, from the operation of the foregoing restrictions the following:

(i) Liens created by the Loan Documents or the Other Vornado Loan Documents;

(ii) Permitted Liens;

(iii) Liens otherwise consented to by the Lender in writing; and

(iv) Liens created by the Loan Agreements or the other documents entered into in connection with the Loan Agreements (and any refinancings of the Construction Loan approved by Lender or any workouts or additional financings by the holders of the Construction Loan to 731 Residential LLC and/or 731 Commercial LLC).

(b) Debt. Create, incur, assume or suffer to exist, or permit any Mortgagor or Subsidiary to create, incur, assume or suffer to exist, any Debt other than:

(i) Debt under the Loan Documents, or the other Vornado Loan Documents;

(ii) Subordinate Debt or subordinated indebtedness approved by the Lender;

(iii) Debt secured by Permitted Liens; and

(iv) The Construction Loan and any other Debt incurred pursuant to the Loan Agreements (and any refinancings of the Construction Loan approved by Lender or any

workouts or additional financings by the holders of the Construction Loan to 731 Residential LLC and/or 731 Commercial LLC).

(c) Mergers, Etc. Merge into or consolidate with any Person or permit any Person to merge into it, or permit any Loan Party or Subsidiary to do so, except that (i) any Loan Party may merge into or consolidate with any other Loan Party; provided that, in the case of any such consolidation, the Person formed by such consolidation shall be a wholly owned Subsidiary of the Borrower; provided further, that the Borrower shall pledge and grant to Lender a first priority perfected lien in and security interest on the capital stock or other equity interests of such Subsidiary owned by the Borrower to the Lender as further collateral for the Loan Obligations, and (ii) any Subsidiary or Permitted Related Owner that is not a Loan Party may merge into or consolidate with any Subsidiary or Permitted Related Owner which is not a Loan Party.

(d) Investments in Other Persons. Purchase or acquire the obligations or stock of, or any other interest in, any Person (other than a Permitted Related Owner), except such investments as are made with surplus cash and do not expose the Borrower to any risk of loss in excess of the amount of cash invested.

(e) Loans, etc. Make, or permit any Mortgagor or Subsidiary to make, loans to any Person, other than to the Borrower, Alexander's, a wholly owned Subsidiary or a Permitted Related Owner.

(f) Dividends, Etc. Declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its capital stock or any warrants, rights or options to acquire such capital stock, now or hereafter outstanding (except that Permitted Related Owners may pay dividends to the Borrower or Alexander's) return any capital to its stockholders as such, make any distribution of assets, capital stock, warrants, rights, options, obligations or securities to its stockholders as such or issue or sell any capital stock or any warrants, rights or options to acquire such capital stock (except for capital stock issued by Permitted Related Owners), or permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any capital stock of the Borrower or Alexander's or any warrants, rights or options to acquire such capital stock or to issue or sell any capital stock or any warrants, rights or options to acquire such capital stock; provided, however, that nothing contained in this section shall prohibit Borrower or Alexander's from (i) paying a dividend or making a distribution in the form of, or from the proceeds of an issuance of, subordinated indebtedness or otherwise (including, without limitation, payment in cash) as may reasonably be required, based upon the advice of counsel, to enable the Borrower or Alexander's to qualify as a REIT under the Code or (ii) paying a dividend or making a distribution from the proceeds of the issuance by the Borrower or Alexander's of equity securities.

(g) Change in Nature of Business. Make, or permit any Mortgagor to make, any material change in the nature of its business as carried on at the date hereof and will not, nor permit any Mortgagor or Subsidiary to, remove, demolish, materially alter, discontinue the use of, sell, transfer, assign, hypothecate, pledge or otherwise dispose of, except as permitted hereunder and for sales, transfers, assignments and pledges to Subsidiaries or Permitted Related Owners, any part of its assets necessary for the continuance of its business, as presently

conducted and as presently contemplated, except in the normal course of business. Notwithstanding the foregoing, no Mortgagor or Subsidiary shall transfer any Property except to a Permitted Related Owner.

(h) Charter Amendments. Amend, or permit any Mortgagor or Subsidiary to amend, its certificate of incorporation or bylaws, partnership agreement, certificate of limited partnership, operating agreement or certificate of limited liability company.

(i) Accounting Changes. Make, or permit any Mortgagor to make or permit, any change in accounting policies or reporting practices, except as required by generally accepted accounting principles.

(j) Amendment, Etc. of Related Documents. Except as may be required in order for the Borrower or Alexander's to qualify as a REIT under the Code, with respect to (i) the Management Agreement, (ii) the Leasing Agreement, (iii) Major Leases, (iv) the Architect's Contract (as defined in the Loan Agreements to be executed in connection with the Construction Loan), (v) the Bloomberg Lease (as defined in the Loan Agreements), (vi) the Construction Management Agreement (as defined in the Loan Agreements), (vii) the Loan Agreements and other Loan Documents and (viii) the Major Trade Contracts (as defined in the Loan Agreements), cancel or terminate or consent to or accept any cancellation or termination thereof, amend, modify or change in any material manner any term or condition thereof, waive any material default under or any material breach of any material term or condition thereof, agree in any manner to any other amendment, modification or change of any material term or condition thereof or take any other action in connection therewith that would impair the value of the interest or rights of the Borrower, Alexander's or other Subsidiary thereunder or that would impair the rights or interests of the Lender, or permit any Mortgagor or other Subsidiary to do any of the foregoing.

(k) Future Speculative Development. Develop, or permit any Mortgagor or Subsidiary to develop, any undeveloped real property owned by the Borrower or such Mortgagor or Subsidiary in the absence of executed leases approved by Lender for more than 50% of the projected leasable space on such property; provided, that development of the Project shall be permitted.

(l) Negative Pledge. Except in connection with (i) Existing Debt, (ii) Secured Debt permitted hereby, (iii) Subordinate Debt permitted hereby, and (iv) Permitted Liens, but only to the extent expressly permitted herein, the Borrower shall not enter into any covenant or other agreement that prevents it or could prevent it in the future from pledging, granting a security interest in, mortgaging, assigning, encumbering or otherwise creating a lien on any of its property (whether real or personal, tangible or intangible, and now owned or hereafter acquired) in favor of the Lender, or that would be breached if the Borrower were to pledge, grant a security interest in, mortgage, assign, encumber or otherwise create a lien on any of its property (whether real or personal, tangible or intangible, and now owned or hereafter acquired) in favor of the Lender.

(m) Future Property Acquisition. Except as permitted in Section 6.01, acquire, or permit any Mortgagor or Subsidiary to acquire, any real property without the consent of the

Lender and without executing and delivering or causing such Mortgagor or Subsidiary to execute and deliver any instrument the Lender may deem necessary or desirable to effectuate such real property becoming additional security for the Loan.

(n) Payments Under Subordinate Loan Documents. Make any payment in respect of any Subordinate Debt (i) at any time while any amount shall be due and owing under any of the Loan Documents or (ii) after the Loan shall have matured or the Lender shall have accelerated payment of the Loan pursuant to Section 7.01 or prepay any Subordinate Debt while at any time that any Loan Obligation remains unpaid.

(o) Transfer of Properties. Transfer title to any of the Properties except to (i) any Mortgagor, (ii) any Person described in clause (a) of the definition of Permitted Related Owner, (iii) any Person described in clause (b) of the definition of Permitted Related Owner, or (iv) with respect to the 59th Street Property, 731 Commercial LLC and 731 Residential LLC or to the holders of the construction loan (or their nominee or nominees) as part of a deed in lien transaction, provided that, (x) in the case of clause (iii), a receiver of a Property sought to be transferred to such Permitted Related Owner has proposed to enter into a lease at such Property or take any other action which would materially adversely affect the Borrower's or Alexander's qualification as a REIT and the Borrower has given ten (10) days' notice to the Lender of its intention to transfer such Property to such Permitted Related Owner and (y) in the case of the 59th Street Property, residential condominium units may be sold.

SECTION 5.03. Reporting Requirements. So long as any portion of the Loan shall remain unpaid, the Borrower will, unless the Lender shall otherwise consent in writing, furnish to the Lender:

(a) Quarterly Financials. As soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year, an unaudited consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such quarter and consolidating statement of operations and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding period of the preceding fiscal year, all in reasonable detail and represented to be true and correct (subject to year-end audit adjustments) by the Chairman of the Board of the Borrower or other officer of the Borrower.

(b) Annual Financials. As soon as available and in any event within 120 days after the end of each fiscal year, an unaudited consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year and an unaudited consolidating statement of operations and cash flows of the Borrower and its Subsidiaries for such fiscal year, represented to be true and correct by the Chairman of the Board of the Borrower or other officer of the Borrower.

(c) Litigation. Promptly after the commencement thereof, notice of all actions, suits, investigations, litigation and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting any Loan Party of the type described in Section 4.01(h), and promptly after the occurrence thereof, notice

of any material adverse change in the status of the Disclosed Litigation from that described on Schedule IV.

(d) Environmental Conditions. Promptly after the occurrence thereof, notice of any condition or occurrence on any Property that results in a material noncompliance by any Loan Party or any of its Subsidiaries with any Environmental Law or Environmental Permit or would be reasonably likely to (i) form the basis of an Environmental Action against any Loan Party or any of its Subsidiaries or any Property that could have a Material Adverse Effect or (ii) cause any Property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

(e) Financial Data for Each Property. Not later than 120 days after the end of each fiscal year, and not later than sixty (60) days after the end of each fiscal quarter, financial data in form reasonably satisfactory to the Lender relating to the operation of each of the Properties, including, without limitation, certified rent roll and summary of leases represented as true and correct by the Chairman of the Board of the Borrower or other officer of the Borrower.

(f) Budget. To the extent required and received under the Management Agreement, not less than 30 days prior to the commencement of each fiscal year, an annual operating budget relating to the Properties for the upcoming fiscal year including, without limitation, the projected gross rental income and projected operating expenses on a line item basis, provided, however, nothing herein contained shall be deemed to require the Borrower to comply with such budgets.

(g) Other Information. Such other information respecting the business, financial condition, operations, performance or properties of any Loan Party as the Lender may from time to time reasonably request.

SECTION 5.04. Covenants of the Lender. (a) The Lender hereby covenants to Borrower that it will not exercise any rights, including rights exercisable upon the occurrence of an Event of Default, that it has arising from or as a result of this Credit Agreement or any related agreement to cause Borrower or any Subsidiary of Borrower or any Permitted Related Owner to (i) enter into a lease or lease amendment that either (A) provides for payments that are based, directly or indirectly (including through sub-leasing), upon the net "income or profits" of any person (as defined in Section 856(d) (2) of the Code) or (B) requires Borrower or any Subsidiary of Borrower or any Permitted Related Owner to provide a service to a tenant, other than through an independent contractor (as defined in Section 856(d)(2) of the Code), where the provision of such service by Borrower or any of its Subsidiaries or any Permitted Related Owner would cause rents received by the Borrower or any of its Subsidiaries to fail to be "rents from real property" under Section 856(d)(2) of the Code, (ii) engage in a new line of business which (A) is unrelated to the development or leasing of real property and (B) would create a substantial risk, as a result of its generation of income not described in Section 856(c)(2) or (c)(3) of the Code, that Borrower would fail to qualify as a REIT under the Code or (iii) acquire an asset that would cause Borrower to fail to satisfy the asset test of Section 856(c)(5) of the Code; provided, however, that the foregoing covenants of this Section 5.04(a) shall not (x) preclude the Lender from collecting amounts due to the Lender under this Credit Agreement or from foreclosing on any property securing such indebtedness or (y) be deemed to have been breached or violated by the Lender as a result of any act or action (including, without limitation, the execution of a lease)

made, done or taken by any receiver for any property of any Loan Party (including a receiver appointed at the request of the Lender) unless a motion to compel such act or action was made by the Lender to the court which appointed such receiver.

(b) The Lender agrees to use reasonable efforts to preserve the confidentiality of any Confidential Information received by it from the Borrower except as required by law or court order.

(c) The Lender shall execute and deliver a non-disturbance agreement substantially in the form of Exhibit C hereto (with such changes as the Lender may reasonably request) in connection with any lease approved by the Lender pursuant to Section 5.01(i) where the tenant is a nationally recognized credit-worthy retail tenant, provided that the tenant under such Lease shall require such non-disturbance agreement.

ARTICLE VI.

SPECIAL PROVISIONS

SECTION 6.01. Condemnation and Casualty. (a) In the event of any condemnation or casualty of any Property in part or in the entirety, the proceeds of such condemnation or casualty to the extent not retained or otherwise applied by the holder of the Construction Loan applied as required pursuant to any Major Lease approved by the Lender at the Property or applied by such mortgagee or in accordance with such Major Lease either to restore the improvements on such Property or to reduce the Construction Loan applied as required pursuant to any condominium declaration and/or related by-laws affecting any Property that has previously been approved by Lender to restore the improvements on such Property or applied in accordance with the Loan Documents, shall be immediately deposited by Borrower in a cash collateral account to be maintained by Borrower at a depository designated by Lender and under the sole dominion and control of Lender (the "Cash Collateral Account") pursuant to a cash collateral agreement to be entered into between Borrower, Lender and such Depository (the "Cash Collateral Agreement"); (such proceeds of condemnation so deposited being herein called "Condemnation Proceeds"; such proceeds of casualty so deposited being herein called "Casualty Proceeds"; and Condemnation Proceeds and/or Casualty Proceeds being herein called "Proceeds") and shall constitute additional collateral for the Loan Obligations.

(b) Provided that no Default or Event of Default shall have occurred and be continuing, the Borrower shall be entitled to withdraw any Condemnation Proceeds from the Cash Collateral Account for the purpose of acquiring additional real estate assets with the consent of the Lender, which consent shall not be unreasonably withheld, provided that subject to the Loan Agreements and the Loan Documents (i) Borrower shall have delivered to Lender an appraisal for such real estate (x) for an amount at least equal to the amount of the Condemnation Proceeds sought to be withdrawn by the Borrower to purchase such real estate and (y) issued by an appraisal company and in form and substance reasonably satisfactory to the Lender; (ii) the Borrower shall have delivered to Lender environmental, engineering and such other studies, reports, documents, title reports, violation searches and other information relating to such real estate as would be generally required by the Lender in accordance with good institutional lending practices, all of which studies, reports, documents and other information shall be in form and

substance reasonably satisfactory to the Lender; (iii) the Lender shall be granted a priority lien mortgage on said real estate to further secure the Guaranty (the "Additional Mortgage"); (iv) the Borrower shall have delivered to Lender a paid-up mortgage title insurance policy in favor of Lender, insuring the Additional Mortgage as a second priority mortgage on such real estate, subject to no encumbrances or other title exceptions except those title exceptions which Lender reasonably determines are acceptable based on good institutional lending practices; and (v) the Borrower shall have paid all reasonable costs and expenses of the Lender (including reasonable attorneys' fees and expenses) incurred by the Lender in connection with the review of any of the foregoing conditions.

(c) The Borrower shall also have the right to withdraw the Condemnation Proceeds remaining in the Cash Collateral Account to pay for the cost of constructing improvements on any Property covered by any Mortgage, and the Borrower shall have the right to withdraw any Casualty Proceeds in the Cash Collateral Account to pay for the repair and restoration of improvements whose damage or destruction generated such Casualty Proceeds, provided that, in all cases subject to the Loan Agreements, any condominium declaration and/or related by-laws affecting such Property that has previously been approved by Lender, and the Loan Documents: (i) no Default or Event of Default shall be continuing; (ii) the Lender shall have approved the plans and specifications for the construction of such improvements as well as the general contract and other major contracts to be entered into by the Borrower in connection with such construction, which approval will not unreasonably be withheld; (iii) the Lender shall have received such certification and assurances as Lender shall reasonably request to assure it that the cost of constructing the improvements as shown on the plans approved by Lender does not exceed the amount of the Proceeds sought to be withdrawn by the Borrower to pay for such improvements; and (iv) the Lender may impose such further conditions and restrictions upon the disbursement of such Proceeds as the Lender deems necessary or desirable, consistent with prudent institutional construction lending practices, to assure the completion of the proposed improvements subject to no liens or encumbrances (except Permitted Liens) and in accordance with the aforesaid approved plans and all applicable laws.

SECTION 6.02. Payment of REIT Dividends. In the event that the Borrower or Alexander's shall determine, upon the advice of counsel then generally used by Borrower or Alexander's for tax advice, that it shall be required to pay a dividend or make a distribution to stockholders in order to preserve its qualification as a REIT, whether or not the Proceeds shall have been applied as contemplated pursuant to Section 6.01(b) or (c), then, anything herein to the contrary notwithstanding, the Borrower or Alexander's may, with the consent of the Lender incur unsecured subordinated indebtedness for the purpose of paying such dividend or making such distribution or to pay such dividend or make such distribution in the form of subordinated indebtedness and/or (ii) withdraw Proceeds from the Cash Collateral Account to pay such dividend or make such distribution.

ARTICLE VII.

EVENTS OF DEFAULT

SECTION 7.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) the Borrower shall fail to pay (i) any principal of the Loan, when the same becomes due and payable or (ii) any other payment under any Loan Document, in each case under this clause (ii) within five days after notice of the same becoming due and payable; or

(b) any representation or warranty made by any Loan Party (or any of its officers) under or in connection with any Loan Document shall prove to have been incorrect in any material respect when made; or

(c) the Borrower shall fail to perform or observe, in any material respect, any term, covenant or agreement contained in Section 5.02; or

(d) except as otherwise specified in such Loan Document, any Loan Party shall fail to perform any other term, covenant or agreement contained in any Loan Document on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice (or such longer period, if any, as may be set forth in the applicable covenant or agreement) thereof shall have been given to the Borrower by the Lender; or

(e) any Loan Party or any of its Subsidiaries shall fail to pay any principal of, premium or interest on or any other amount payable in respect of or any Subordinate Debt of such Loan Party or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable notice and grace period, if any, specified in the agreement or instrument relating to such Subordinate Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Subordinate Debt and shall continue after the applicable notice and grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate the maturity of such Subordinate Debt or otherwise to cause such Subordinate Debt to mature; or any such Subordinate Debt shall be declared to be due and payable or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Subordinate Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(f) any Loan Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Loan Party seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it) that is being diligently contested by it in good faith, either such proceeding shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or any substantial part of its property) shall occur; or any Loan Party shall take any corporate action to authorize any of the actions set forth above in this subsection (f); or

(g) any judgment or order for the payment of money in excess of \$500,000 shall be rendered against any Loan Party, and either (i) enforcement proceedings shall have been commenced and be continuing by any creditor upon such judgment or order or (ii) there shall be any period of 20 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) any non-monetary judgment or order shall be rendered against any Loan Party that is reasonably likely to have a Material Adverse Effect, and there shall be any period of 20 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(i) any material provision of any Loan Document after delivery thereof shall for any reason cease to be valid and binding on or enforceable against any Loan Party to it, or any such Loan Party shall so state in writing; or

(j) except as otherwise permitted under Section 5.02(a), any Collateral Document after delivery thereof shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected Lien on the Collateral purported to be covered thereby with the priority of liens set forth therein;

(k) any Event of Default (as such term is defined in any Loan Document) shall occur and be continuing;

(l) any Event of Default (as such term is defined in any Mortgage or other loan document of the Other Vornado Loans) shall occur and be continuing; or

(m) any Event of Default (as such term is defined in the Loan Agreements) shall occur and be continuing;

then, and in any such event, the Lender may, by notice to the Borrower, declare the Loan Obligations, together with all interest thereon and all other amounts payable under this Credit Agreement and the other Loan Documents, to be forthwith due and payable, whereupon the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to any Loan Party under the United States Bankruptcy Code, the Notes, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VIII.

MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of this Credit Agreement or the Note, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower and the

Lender, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 8.02. Notices, Etc. All notices and communications under this Credit Agreement shall be in writing and shall be given by either (a) hand-delivery, (b) facsimile transmission, (c) first class mail (postage prepaid), or (d) reliable overnight commercial courier (charges prepaid)

(i) if to the Borrower, to:

59th Street Corporation
c/o Vornado Realty Trust
210 Route 4 East
Paramus, New Jersey 07652-0910
Attention: Chief Financial Officer
Facsimile No.: (201) 587-0600

with a copy to:

Winston & Strawn
200 Park Avenue
New York, New York 10166
Facsimile No.: (212) 294-4700
Attention: Neil Underberg

and

Vornado Realty Trust
888 Seventh Avenue
New York, New York 10019
Attention: President
Facsimile No.: (212) 894-7070

(ii) if to the Lender, to:

Vornado Lending L.L.C.
c/o Vornado Realty Trust
210 Route 4 East
Paramus, New Jersey 07652-0910
Attention: Chief Financial Officer
Facsimile No.: (201) 587-0600

Notice shall be deemed to have been given and received: (i) if by hand delivery, upon delivery; (ii) if by facsimile, upon transmission; (iii) if by mail, three (3) calendar days after the date first deposited in the United States mail; and (iv) if by overnight courier, on the date scheduled for delivery. A party may change its address by giving written notice to the other party as specified herein.

SECTION 8.03. No Waiver; Remedies. No failure on the part of the Lender to exercise, and no delay in exercising, any right hereunder or under the Notes shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs, Expenses. (a) The Borrower agrees to pay on demand (i) all reasonable costs and expenses of the Lender in connection with the preparation, execution, delivery, administration, modification and amendment of the Loan Documents (including, without limitation, the reasonable fees and expenses of counsel for the Lender with respect thereto) and (ii) all reasonable costs and expenses of the Lender in connection with the enforcement of the Loan Documents, whether in any action, suit or litigation, any bankruptcy, insolvency or other similar proceeding affecting creditors' rights generally or otherwise (including, without limitation, the reasonable fees and expenses of counsel for the Lender with respect thereto).

(b) The Borrower agrees to indemnify and hold harmless the Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with (i) the transactions contemplated hereby, (ii) the actual or alleged presence of Hazardous Materials on any property or any Environmental Action relating in any way to any Loan Party or any of its Subsidiaries, (iii) disputes with any architect, general contractor, subcontractor, materialman or supplier, or on account of any act or omission to act by the Lender in connection with any Property, (iv) any untrue statement of a material fact contained in information submitted to the Lender by the Borrower or the omission of any material fact necessary to be stated therein in order to make such statement not misleading or incomplete, (v) the failure of the Borrower or any Loan Party to perform any obligations required to be performed by the Borrower or any Loan Party under any Loan Document and (vi) the ownership, construction, occupancy, operation, use or maintenance of any of the Properties, in each case whether or not the transactions contemplated hereby are consummated, except (i) to the extent such claim, damage, loss, liability or expense is found to have resulted from any Indemnified Party's gross negligence or willful misconduct. Notwithstanding the foregoing provisions of this Section 8.04(b), the Borrower shall have no obligation to indemnify any Indemnified Party against, or hold it harmless from, (i) any judgment rendered by a court of competent jurisdiction against any Indemnified Party and in favor of the Borrower, or (ii) any legal fees and expenses incurred by the Indemnified Party in defending the action brought by the Borrower which resulted in such judgment in favor of the Borrower, but the foregoing provisions of this sentence shall not diminish or otherwise affect the Borrower's liability for payment of all legal fees and expenses incurred by the Lender in enforcing the Lender's rights and remedies under any of the Loan Documents.

(c) In case any action shall be brought against the Lender or any other Indemnified Party in respect of which indemnity may be sought against the Borrower, the Lender or such other Indemnified Party shall promptly notify the Borrower and the Borrower shall assume the

defense thereof, including the employment of counsel selected by the Borrower and reasonably satisfactory to the Lender, the payment of all costs and expenses and the right to negotiate and consent to settlement. The failure of the Lender to so notify the Borrower shall not relieve the Borrower of any liability it may have under the foregoing indemnification provisions or from any liability which it may otherwise have to the Lender or any of the other Indemnified Parties except to the extent that the Borrower incurs actual expenses or suffers actual monetary loss as a result of such failure to give notice. The Lender shall have the right, at its sole option, to employ separate counsel and as long as Borrower is complying with its indemnification obligations hereunder, the fees and disbursements of such separate counsel shall be paid by Lender. The Borrower shall not be liable for any settlement of any such action effected without its consent, but if settled with the Borrower's consent, or if there be a final judgment for the claimant in any such action, the Borrower agrees to indemnify and save harmless the Lender from and against any loss or liability by reason of such settlement or judgment.

(d) If any Loan Party fails to pay when due any costs, expenses or other amounts payable by it under any Loan Document, including, without limitation, fees and expenses of counsel and indemnities, such amount may be paid on behalf of such Loan Party by the Lender, in its sole discretion.

(e) The provisions of this Section 8.04 shall survive the repayment or other satisfaction of the Borrower's Obligations hereunder.

SECTION 8.05. Merger. This Credit Agreement and the other Loan Documents constitute the sole agreement of the parties with respect to the transactions contemplated herein and therein and supersede all oral negotiations and prior writings with respect thereto.

SECTION 8.06. Binding Effect. This Credit Agreement shall become effective when it shall have been executed by the Borrower and the Lender and thereafter shall be binding upon and inure to the benefit of the Borrower, the Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lender.

SECTION 8.07. Lender's Discretion. Except as otherwise specified in this Credit Agreement, whenever this Credit Agreement provides that the Lender's consent or approval is required, or that any action may be taken or not taken at the Lender's option, such consent or approval may be given or not, and such action may be taken or not, in the Lender's sole discretion. Any reference in this Credit Agreement to Lender's consent or approval being required shall be deemed to refer to Lender's prior consent or approval given in writing.

SECTION 8.08. Participations. (a) The Lender may sell participations in up to one-third of its rights and obligations under this Credit Agreement (including, without limitation, of its Loan and the Notes held by it) (the purchaser of any rights and obligations being referred to herein as a "Participant"); provided, however, that (i) the obligations of the Borrower and the Lender under this Credit Agreement and the other Loan Documents shall remain unchanged, (ii) the Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower shall continue to deliver all notices, communications and payments solely to the Lender and any such notice, communication or payment shall be valid and

effective for all purposes hereunder notwithstanding any such sale of participations. Upon the sale of any participation permitted hereunder, the Borrower shall cooperate with such reasonable requests of the Lender, at the sole expense of the Lender, to sever and split the note issued hereunder among the Lender and any Participants.

(b) The Lender may, in connection with any participation or proposed participation pursuant to this Section 8.08, disclose to the Participant or proposed Participant, any information relating to the Borrower furnished to the Lender by or on behalf of the Borrower; provided, however, that, prior to any such disclosure, the Participant or proposed Participant shall agree to preserve the confidentiality of any Confidential Information received by it from the Lender.

(c) Notwithstanding any other provision set forth in this Credit Agreement, the Lender may at any time create a security interest in all or any portion of its rights under this Credit Agreement (including, without limitation, the Loan and the Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 8.09. Governing Law. This Credit Agreement and the Note shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.10. Execution in Counterparts. This Credit Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Credit Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Credit Agreement.

SECTION 8.11. Waiver of Jury Trial. Each of the Borrower and the Lender hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to any of the Loan Documents, the Obligations, the Loan or the actions of the Lender in the negotiation, administration, performance or enforcement thereof. The Borrower acknowledges and agrees that this section is a specific and material aspect of this Credit Agreement and that the Lender would not extend credit to the Borrower if the waiver set forth in this section were not a part of this Credit Agreement.

SECTION 8.12. Jurisdiction. The Borrower irrevocably appoints each and every owner, partner and/or officer of the Borrower as its attorneys upon whom may be served, by regular or certified mail at the address set forth herein, any notice, process or pleading in any action or proceeding against it arising out of or in connection with this Credit Agreement or any other Loan Document; and the Borrower hereby consents that any action or proceeding against it may be commenced and maintained in any court within the State of New Jersey or the State of New York or in the United States District Court for the District of New Jersey or the United States District Court for the Southern District of New York by service of process on any such owner, partner and/or officer; and the Borrower agrees that the courts of the State of New Jersey and the courts for the State of New York and the courts for the United States District Court for the District of New Jersey and the courts for the United States District Court for the Southern

District of New York shall have jurisdiction with respect to the subject matter hereof and the person of the Borrower and all collateral securing the obligations of the Borrower. The Borrower agrees not to assert any defense to any proceeding initiated by the Lender in such court based upon improper venue or inconvenient forum. The foregoing shall not limit, restrict or otherwise affect the right of the Borrower or the Lender to commence any action on this Credit Agreement or any other Loan Document in any other courts having jurisdiction.

SECTION 8.13. Continuing Enforcement. If, after receipt of any payment of all or any part of the Borrower's Obligations hereunder, the Lender is required by law in connection with insolvency, fraudulent conveyance, bankruptcy or similar proceedings to surrender such payment then this Credit Agreement and the other Loan Documents shall continue in full force and effect, and the Borrower shall be liable for, and shall indemnify defend and hold harmless the Lender with respect to the full amount so surrendered. The provisions of this Section 8.13 shall survive the termination of this Credit Agreement and the other Loan Documents and shall remain effective notwithstanding the payment of the Borrower's Obligations hereunder, the cancellation of the Notes or any other Loan Document, the release of any security interest, lien or encumbrance securing the Borrower's Obligations hereunder or any other action which the Lender may have taken in reliance upon its receipt of such payment. Any cancellation, release or other such action by the Lender shall be deemed to have been conditioned upon any payment of the Borrower's Obligations hereunder having become final and irrevocable.

* * *

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Credit Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

59TH STREET CORPORATION

By: /s/ Brian Kurtz

Name: Brian Kurtz
Title: Assistant Secretary

VORNADO LENDING L.L.C.

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President_

SCHEDULE I
PROPERTIES

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

59TH STREET PROPERTY

Address: 162-64 East 59th St. a/k/a 976-88 Third Ave.
135-39 East 58th St. a/k/a 723-33 Lexington Ave.
136-40 East 59th St. a/k/a 735-41 Lexington Ave.
New York, New York

Tax Map Designation:

Block: 1313 Lots: 40, 42, 43, 50
City: New York County: New York State: New York

REGO PARK II PROPERTY

Address: Junction Boulevard
Rego Park, New York

Tax Map Designation:

Block: 2080 Lot: 101

REGO PARK III PROPERTY

Address: Junction Boulevard
Rego Park, New York

Tax Map Designation:

Block: 2077 Lot: 90 and 98
Block: 2076 Lot: 50 and 63

THIRD AVENUE PROPERTY

Address: 2948-54 Third Avenue
633 Bergen Avenue;
2964 Third Avenue; and
2970 Third Avenue
Bronx, New York

Tax Map Designation:

Section: 9 Block: 2362 Lots: 44, 72, 71, 52 & 53
City: New York County: Bronx State: New York

SCHEDULE II
CONFLICTS UNDER LOAN DOCUMENTS

1. Completing recordation and filing of the Mortgages and other documents.

SCHEDULE III
REQUIRED AUTHORIZATIONS

1. Recording Mortgages and making other security filings.

SCHEDULE IV
DISCLOSED LITIGATION

1. Claims in process in the Bankruptcy Proceeding as set forth in attached Schedule IV-A.

SCHEDULE V(a)
ENVIRONMENTAL NON-COMPLIANCE

1. Environmental matters disclosed in Alexander's, Inc. quarterly report on Form 10-Q for the quarter ended September 30, 1994, et. seq.

SCHEDULE V(b)
ENVIRONMENTAL REPORTS

Phase I Environmental Site Assessments prepared for Alexander's, Inc., 31 West 34th Street, Seventh Floor, New York, NY 10001 and prepared by Certified Engineering & Testing Company, Inc., 444 Park Avenue South, Suite 702, New York, NY 10016:

1. Roosevelt Avenue & Main Street, 136-20 Roosevelt Avenue, Flushing, New York 11354 (December 1, 1993)
2. Alexander's Department Store, 96-05 Queens Boulevard, Rego Park, New York 11374 (December 1, 1993)
3. Third Avenue & 152nd Street, Bronx, New York (December 1, 1993)
4. East 59th Street & Lexington Ave., 731-733 & 735-741 Lexington Ave., 982-988 & 976-980 Third Ave., New York, New York 10022 (December 1, 1993)

SCHEDULE VI
DEFAULTS UNDER MATERIAL AGREEMENTS

(None)

SCHEDULE VII
NON-COMPLIANCE WITH LAWS

(None)

EXHIBIT A
FORM OF NOTE

A-1

EXHIBIT B-1
FORM OF GUARANTY

B-2

EXHIBIT B-2
FORM OF GUARANTY

B-2

EXHIBIT C
FORM OF NON-DISTURBANCE AGREEMENT

B-2

EXHIBIT D
FORM OF MORTGAGE

B-2

EXHIBIT E
FORM OF ASSIGNMENT OF COLLATERAL
ACCOUNT AND SECURITY AGREEMENT

B-2

EXHIBIT F
FORM OF DEPOSIT ACCOUNT
CONTROL AGREEMENT

B-2

EXHIBIT G
FORM OF PLEDGE AGREEMENT

B-2

STATE OF New York)
) ss.:
COUNTY OF New York)

On the 2nd day of July, in the year 2002, before me, the undersigned, personally appeared Joseph Macnow, 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/ Leon T. Busted

Notary Public
My commission expires: Nov. 30, 2002

Leon T. Busted
Notary Public, State of New York
No. 31-4721172
Qualified in New York County
Commission Expires on Nov. 30, 2002

CREDIT AGREEMENT

dated as of July 3, 2002

among

ALEXANDER'S INC.,
as Borrower

and

VORNADO LENDING L.L.C.,
as Lender

TABLE OF CONTENTS

	Page

ARTICLE I. DEFINITIONS AND ACCOUNTING TERMS.....	1
SECTION 1.01. Certain Defined Terms.....	1
SECTION 1.02. Computation of Time Periods.....	7
SECTION 1.03. Accounting Terms.....	7
ARTICLE II. AMOUNTS AND TERMS OF THE ADVANCES.....	7
SECTION 2.01. The Loan.....	7
SECTION 2.02. Repayment.....	7
SECTION 2.03. Prepayments.....	7
SECTION 2.04. Interest.....	7
SECTION 2.05. Increased Costs.....	8
SECTION 2.06. Payments and Computations.....	8
SECTION 2.07. Taxes	9
SECTION 2.08. Payment of Certain Costs and Expenses.....	10
SECTION 2.09. Use of Proceeds.....	10
ARTICLE III. CONDITIONS OF LENDING.....	11
SECTION 3.01. Conditions Precedent to Funding Loan.....	11
ARTICLE IV. REPRESENTATIONS AND WARRANTIES.....	11
SECTION 4.01. Representations and Warranties of the Borrower.....	11
ARTICLE V. COVENANTS	14
SECTION 5.01. Affirmative Covenants of the Borrower.....	14
SECTION 5.02. Negative Covenants.....	17
SECTION 5.03. Reporting Requirements.....	20
SECTION 5.04. Covenants of the Lender.....	21
ARTICLE VI. SPECIAL PROVISIONS.....	22
SECTION 6.01. Condemnation and Casualty.....	22
SECTION 6.02. Payment of REIT Dividends.....	24
ARTICLE VII. EVENTS OF DEFAULT.....	24
SECTION 7.01. Events of Default.....	24
ARTICLE VIII. MISCELLANEOUS.....	26
SECTION 8.01. Amendments, Etc.....	26

SECTION 8.02. Notices, Etc.....	26
SECTION 8.03. No Waiver; Remedies.....	27
SECTION 8.04. Costs, Expenses.....	27
SECTION 8.05. Merger.....	28
SECTION 8.06. Binding Effect.....	28
SECTION 8.07. Lender's Discretion.....	29
SECTION 8.08. Participations.....	29
SECTION 8.09. Governing Law.....	29
SECTION 8.10. Execution in Counterparts.....	29
SECTION 8.11. Waiver of Jury Trial.....	29
SECTION 8.12. Jurisdiction.....	30
SECTION 8.13. Continuing Enforcement.....	30

Schedule I	-	Properties
Schedule II		Conflicts under Loan Documents
Schedule III		Required Authorizations
Schedule IV		Disclosed Litigation
Schedule V(a)		Environmental Non-Compliance
Schedule V(b)		Environmental Reports
Schedule VI		Defaults under Material Agreements
Schedule VII		Non-compliance with Laws
Exhibit A	-	Form of Note
Exhibit B	-	Form of Guaranty
Exhibit C	-	Form of Non-Disturbance Agreement
Exhibit D	-	Form of Mortgage
Exhibit E	-	Form of Pledge Agreement

CREDIT AGREEMENT dated as of July 3, 2002 by and between Alexander's Inc., a Delaware corporation ("Alexander's" or the "Borrower"), as borrower, and Vornado Lending L.L.C., a New Jersey limited liability company (the "Lender"), as lender.

WHEREAS, Borrower has requested that Lender make a loan in the amount and for the purposes herein specified and Lender is willing to make such a loan on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I.

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Credit Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling," "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 20% or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Borrower" has the meaning specified in the recital of parties to this Credit Agreement.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday on which banks are not required or authorized to close in New York City.

"Capitalized Leases" has the meaning specified in clause (e) of the definition of Debt.

"Cash Collateral Account" has the meaning specified in Section 6.01.

"Cash Collateral Agreement" has the meaning specified in Section 6.01.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as the same may be amended from time to time.

"Closing Date" means July 3, 2002.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means all "Collateral" referred to in the Collateral Documents and all other property that is subject to any Lien in favor of the Lender.

"Collateral Documents" means collectively each Guaranty, Mortgage, and the Pledge Agreement.

"Confidential Information" means information that the Borrower furnishes to the Lender on a confidential basis, but does not include any such information that is or becomes generally available to the public other than as a result of a breach by the Lender of its obligations hereunder or that is or becomes available to the Lender from a source other than the Borrower that is not, to the best of the Lender's knowledge, acting in violation of a confidentiality agreement with the Borrower.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Construction Loan" shall have the meaning given to such term in Section 5.01(m) hereof.

"Debt" of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all Obligations of such Person for the deferred purchase price of property or services (other than trade payables not overdue by more than 60 days incurred in the ordinary course of such Person's business), (c) all Obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all Obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Obligations of such Person as lessee under leases that have been or should be, in accordance with GAAP, recorded as capital leases ("Capitalized Leases"), (f) all Obligations, contingent or otherwise, of such Person under acceptance, letter of credit or similar facilities, (g) all Debt of others referred to in clauses (a) through (f) above guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (i) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (ii) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss, (iii) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (iv) otherwise to assure a creditor against loss, and (h) all Debt referred to in clauses (a) through (f) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Default Rate" means 4% per annum above the rate per annum required to be paid on the Loan pursuant to Section 2.04(a).

"Disclosed Litigation" means the matters described on Schedule IV hereto.

"Environmental Action" means any administrative, regulatory or judicial action, suit, demand, demand letter, claim, notice of non-compliance or violation, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law or any Environmental Permit including, without limitation, (a) any written claim by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any Environmental Law and (b) any written claim by any third party

seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"Environmental Law" means any applicable federal, state or local law, rule, regulation, order, writ, judgment, injunction, decree, determination or award relating to the environment, health, safety or Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"Events of Default" has the meaning specified in Section 7.01.

"Existing Debt" means Debt of the Borrower outstanding immediately before the time of execution of this Credit Agreement.

"GAAP" has the meaning specified in Section 1.03.

"Guarantor" means each of Alexander's of Rego Park II, Inc. and Alexander's of Rego Park III, Inc. and subsequent assignees thereof and any other Person who shall execute a Guaranty after the date hereof.

"Guaranty" means the Guaranty substantially in the form of Exhibit B to this Credit Agreement, as amended from time to time, duly executed as of the Closing Date by each Guarantor.

"Hazardous Materials" means (a) petroleum or petroleum products, natural or synthetic gas, asbestos in any form that is friable, urea formaldehyde foam insulation and radon gas, (b) any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminants" or "pollutants," or words of similar import, under any Environmental Law and (c) any other substance exposure to which is regulated under any Environmental Law.

"Indemnified Party" has the meaning specified in Section 8.04(b).

"Interest Payment Date" has the meaning specified in Section 2.04(a).

"Interest Rate" means a rate equal to the one-year treasury bill rate (the "Base Rate") as of March 15, 2002 plus 9.48%, such rate to be reset quarterly (i.e., on June 15, September 15, December 15 and March 15) to equal the Base Rate as of the reset date plus 9.48%; provided, however, that if the one-year treasury bill rate as of any reset date is less than 3%, the Base Rate for purposes of such reset shall be 3%.

"Leasing Agreement" means that certain Real Estate Retention Agreement dated July, 1992 between Vornado, Inc., Alexander's and certain other parties as amended by Amendment to Real Estate Retention Agreement dated as of the date hereof.

"Lender's Account" means an account of or specified by the Lender and, until the Lender shall notify the Borrower of a change in such account, shall mean the account of Vornado Lending L.L.C. maintained at Fleet Bank (Account No. 9403934589).

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained

security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property and any easement, right of way or other encumbrance on title to real property.

"Loan" means the loan from Lender to Borrower in the amount of \$20,000,000 evidenced by this Credit Agreement.

"Loan Documents" means this Credit Agreement, the Note, the Collateral Documents and the Guaranty and any other documents executed by any Loan Party in connection with the Loan.

"Loan Obligations" means all amounts due payable to the Lender under the Loan Documents.

"Loan Parties" means the Borrower, each Guarantor and each Mortgagor.

"Major Lease" means any lease at Property (i) for an entire free-standing building, including without limitation a building to be constructed, (ii) for over 10,000 rentable square feet, or (iii) with an anchor tenant.

"Management Agreement" means that certain Amended and Restated Management and Development Agreement, dated as of the date hereof, between the Borrower and Vornado Management Corp., as amended from time to time.

"Material Adverse Change" means any material adverse change in the business, financial condition, operations, performance or properties of the Borrower and the Loan Parties taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, financial condition, operations, performance or properties of the Borrower and the Loan Parties taken as a whole, (b) the rights and remedies of the Lender under any Loan Document or (c) the ability of any Loan Party to perform its Obligations under any Loan Document to which it is or is to be a party.

"Maturity Date" means the earlier of (i) January 3, 2006 and (ii) the date on which the Construction Loan is paid in full.

"Mortgage" or "Mortgages" means one or more mortgages, in substantially the form of Exhibit D to this Credit Agreement and covering all or any of the Properties, as the same may be amended from time to time, duly executed by the applicable Mortgagor in favor of Lender.

"Mortgagor" means Alexander's of Rego Park II, Inc. and Alexander's of Rego Park III, Inc. or other mortgagor under a Mortgage, provided that any Mortgagor shall cease to be a Mortgagor upon the release or satisfaction of that Mortgagor's mortgage.

"Note" or "Notes" means, collectively, the promissory notes of the Borrower payable to the order of the Lender, in substantially the form of Exhibit A hereto, as amended from time to time, evidencing the indebtedness of the Borrower to the Lender resulting from the Loan made by the Lender.

"Obligation" means, with respect to any Person, any obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any

proceeding referred to in Section 7.01(f). Without limiting the generality of the foregoing, the Obligations of the Loan Parties under the Loan Documents include (a) the obligation to pay principal, interest, charges, expenses, fees, reasonable attorneys' fees and disbursements, indemnities and other amounts payable by any Loan Party under any Loan Document and (b) the obligation to reimburse any amount in respect of any of the foregoing that the Lender, in accordance with the terms of the applicable Loan Document, may elect to pay or advance on behalf of such Loan Party.

"Other Taxes" has the meaning specified in Section 2.07(b).

"Other Vornado Loans" means, collectively (i) that certain loan in the principal amount of \$35,000,000 evidenced by a Credit Agreement dated as of even date herewith from Lender, as lender to Alexander's, as borrower; (ii) that certain loan in the principal amount of \$40,000,000 evidenced by an Amended and Restated Credit Agreement dated as of even date herewith from Lender, as lender, to 59th Street Corporation, as borrower; (iii) that certain credit line in the maximum principal amount of \$50,000,000 evidenced by an Amended and Restated Credit Line Agreement dated as of even date herewith, from Lender, as lender, to Alexander's, as borrower; and (iv) the Reimbursement Facility.

"Participant" has the meaning set forth in Section 8.08.

"Permitted Encumbrances" has the meaning specified in the Mortgages.

"Permitted Liens" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) Liens for taxes, assessments and governmental charges or levies not yet due and payable; (b) Permitted Encumbrances; (c) with respect to any real property acquired by Borrower or any Subsidiary or Affiliate of Borrower after the date hereof, liens to which such property is subject as of the date of such acquisition, purchase money mortgages or other similar purchase liens and liens in favor of lenders providing construction or development financing in connection with such property provided, that all proceeds of such financings are used for construction or development of such property or the retirement of Existing Debt secured by one or more liens on such property; (d) Liens permitted to be incurred by Borrower pursuant to the terms of this Credit Agreement; (e) Liens in connection with taxes being contested in good faith in compliance with this Credit Agreement; (f) Liens securing the Construction Loan; and (g) any renewal or replacement of any Lien permitted pursuant to the foregoing clauses (a) through (g), inclusive, provided that any such renewal or replacement Lien secures Debt in an amount not in excess of the Debt secured by the Lien so renewed or replaced, provided, however, that notwithstanding the foregoing, the Lender shall not be required to subordinate to any Lien pursuant to this clause except as otherwise provided in this Credit Agreement.

"Permitted Related Owner" means any of (a) any Subsidiary now existing or hereafter created all shares of issued and outstanding capital stock of which are owned by the Borrower, (b) a corporation (x) 90% or more of the economic interests of which shall be held by the Borrower through the ownership of shares of preferred and/or common stock of such corporation and (y) 10% or less of the economic interests of which shall be held by an entity reasonably satisfactory to the Lender through the ownership of shares of common and/or preferred stock of such corporation; provided that such Subsidiary or corporation enters into a guaranty substantially in the form of the Guaranty pursuant to which it guarantees the obligations of the Borrower under the Notes, or (c) 731 Commercial LLC, 731 Residential LLC, 731 Commercial

Holding LLC and 731 Residential Holding LLC. The conditions regarding share ownership set forth in clauses (x) and (y) above may be varied to the extent necessary for any income received by the Borrower to be described in Section 856(c)(2) of the Code or for the Borrower to continue to qualify as a REIT.

"Person" means an individual, partnership, limited liability company, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Pledge Agreement" means that certain Pledge Agreement substantially in the form of Exhibit E hereto.

"Prepayment Date" has the meaning specified in Section 2.03.

"Properties" means the properties listed on Schedule I to this Credit Agreement and any real property acquired by the Borrower or any Mortgagor after the Closing Date.

"Rego Park II Property" means the Property designated on Schedule I to this Credit Agreement as the "Rego Park II Property".

"Rego Park III Property" means the Property designated on Schedule I to this Credit Agreement as the "Rego Park III Property".

"Reimbursement Facility" means the credit facility evidenced by the Reimbursement Agreement, dated the date hereof, by and among Alexander's, Inc., 731 Commercial LLC and 731 Residential LLC, as Obligor, and Vornado Realty, L.P.

"REIT" means an entity described in Section 856(a) of the Code and entitled to the benefits of Section 857(a) of the Code.

"Secured Debt" means any Debt of the Borrower incurred after the Closing Date that is secured by any of the Properties and/or the Collateral and that otherwise contains terms and conditions satisfactory to the Lender.

"Subordinate Debt" means any Debt of the Borrower that is subordinated to the Loan Obligations under the Loan Documents on, and that otherwise contains, terms and conditions satisfactory to the Lender.

"Subsidiary" means, with respect to the Borrower, (i) in any corporation of which more than 50% of the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned or controlled by the Borrower, by the Borrower and one or more of its other Subsidiaries or by one or more of the Borrower's other Subsidiaries and (ii) 731 Commercial LLC, 731 Residential LLC, 731 Commercial Holding LLC and 731 Residential Holding LLC

"Taxes" has the meaning specified in Section 2.07(a).

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

SECTION 1.02. Computation of Time Periods. In this Credit Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.01(f) ("GAAP").

ARTICLE II.

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Loan. The Lender agrees, on the terms and conditions hereinafter set forth, to make a single advance to the Borrower on the Closing Date in an amount equal to Twenty Million and 00/100 Dollars (\$20,000,000.00) (such sum being hereinafter referred to as the "Loan"). Amounts borrowed under this Section 2.01 and repaid or prepaid may not be reborrowed.

SECTION 2.02. Repayment. The Borrower shall repay to the Lender the aggregate principal amount of the Loan and all other Loan Obligations on the Maturity Date or on such earlier date as the Loan Obligations become due as provided in the Loan Documents.

SECTION 2.03. Prepayments. The Borrower may, upon at least two (2) days' notice to the Lender prepay all or any portion of the outstanding principal amount of the Loan, together with (i) accrued interest to the date of such prepayment on the principal amount prepaid and (ii) if the entire outstanding principal amount of the Loan is repaid, all other accrued and unpaid amounts due hereunder or under any other Loan Document.

SECTION 2.04. Interest. (a) Ordinary Interest. The Borrower shall pay interest on the unpaid principal amount of the Loan owing to the Lender from the Closing Date, until such principal amount shall be paid in full, payable in arrears on the fifteenth day of each month (each an "Interest Payment Date") at a rate per annum equal to the Interest Rate, but in no event shall the Loan be repaid later than the Maturity Date.

(b) Default Interest. From and after the Maturity Date and upon the occurrence and during the continuance of an Event of Default specified in Section 7.01 of this Credit Agreement, the Borrower shall pay interest on (i) the unpaid principal amount of the Loan and (ii) the amount of any interest, fee or other amount due and payable hereunder which is not paid when due, from the date such amount shall be due until such amount shall be paid in full, in either clause (i) or (ii) payable immediately on the Maturity Date or on demand after such occurrence and during such continuance, at a rate per annum equal at all times to the Default Rate.

(c) Late Charges. In the event any payment of principal or any interest is not made within five (5) days after the date on which such amount first becomes due and payable, the Lender may, at its option, require the Borrower to make an additional payment to the Lender as a late charge in an amount equal to 5% of such overdue amount.

SECTION 2.05. Increased Costs. If, with respect to any assignee of the Lender or a Participant that is a bank (a "Bank Lender"), due to either (i) the introduction of or any change in or in the interpretation of any law or regulation (other than a law or regulation relating to taxes) or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the amount of capital required by such Bank Lender or authority to be maintained by such Bank Lender or any corporation controlling Bank Lender as a result of or based upon the existence of Bank Lender's commitment to lend hereunder then, upon demand by Bank Lender, the Borrower shall pay to Bank Lender, from time to time as reasonably specified by Bank Lender, additional amounts sufficient to compensate Bank Lender in the light of such circumstances, to the extent that Bank Lender reasonably determines such increase in capital to be allocable to the existence of the Loan.

SECTION 2.06. Payments and Computations. (a) The Borrower shall make each payment required to be made hereunder and under the Notes not later than 11:00 A.M., New York City time, on the day when due in U.S. dollars to the Lender at the Lender's Account in immediately available (same day) funds.

(b) All computations of interest and fees shall be made by the Lender on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Lender of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest.

(d) The Borrower covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury or similar law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Credit Agreement, the Notes or the other Loan Documents; and the Borrower (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Lender, but will suffer and permit the execution of every such power as though no such law had been enacted. It is the intent of the Lender and the Borrower in the execution of the Notes, this Credit Agreement and all other instruments now or hereafter securing the Notes or executed in connection therewith or under any other written or oral agreement by the Borrower in favor of the Lender to contract in strict compliance with applicable usury law. In furtherance thereof, the Lender and the Borrower stipulate and agree that none of the terms and provisions contained in the Notes, this Credit Agreement or any other instrument securing the Notes or executed in connection herewith, or in any other written or oral agreement by the Borrower in favor of the Lender, shall ever be construed to create a contract to pay for the use, forbearance or detention of money, interest at a rate in excess of the maximum interest rate permitted to be charged by applicable law. Neither the Borrower nor any guarantors, endorsers or other parties now or hereafter becoming liable for

payment of the Notes shall ever be required to pay interest on the Notes or on indebtedness arising under any instrument securing the Notes or executed in connection therewith, or in any other written or oral agreement by the Borrower in favor of the Lender, at a rate in excess of the maximum interest that may be lawfully charged under applicable law, and the provisions of this Section 2.06(d) shall control over all other provisions of the Notes, this Credit Agreement and any other instruments now or hereafter securing the Notes or executed in connection herewith or any other oral or written agreements that may be in apparent conflict herewith. The Lender expressly disavows any intention to charge or collect excessive unearned interest or finance charges in the event the maturity of the Notes is accelerated. If the maturity of the Notes shall be accelerated for any reason or if the principal of the Notes is paid prior to the end of the term of the Notes, and as a result thereof the interest received for the actual period of existence of the Loan exceeds the applicable maximum lawful rate, the Lender shall, at its option, either refund to the Borrower the amount of such excess or credit the amount of such excess against the principal balance of the Notes then outstanding and thereby shall render inapplicable any and all penalties of any kind provided by applicable law as a result of such excess interest. In the event that the Lender shall collect monies and/or any other thing of value that are then or at any time deemed to constitute interest that would increase the effective interest rate on the Notes to a rate in excess of that permitted to be charged by applicable law, an amount equal to interest in excess of the lawful rate shall, upon such determination, at the option of the Lender, be either immediately returned to the Borrower or credited against the principal balance of the Notes then outstanding, in which event any and all penalties of any kind under applicable law as a result of such excess interest shall be inapplicable. By execution of this Credit Agreement, the Borrower acknowledges that it believes the Loan to be non-usurious and agrees that if, at any time, the Borrower should have reason to believe, that the Loan is in fact usurious, it will give the Lender notice of such condition and the Borrower agrees that the Lender shall have ninety (90) days after receipt of such notice in which to make appropriate refund or other adjustment in order to correct such condition if in fact such exists.

SECTION 2.07. Taxes. (a) Any and all payments by the Borrower hereunder or under the Notes shall be made, in accordance with this Section 2.07, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings other than (i) net income taxes, franchise taxes and similar taxes imposed on the Lender or a Participant, (ii) any tax, assessment or other governmental charge that would not have been imposed but for the failure of the Lender or a purchaser of all or a portion of the Lender's or a Participant's rights and obligations under this Credit Agreement to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the Lender or a Participant, if compliance is required by statute or by regulation of the United States Treasury Department as a precondition to exemption from such tax, assessment or other governmental charge, (iii) any tax, assessment or other governmental charge that would not have been imposed but for either (a) a sale or other transfer of all or a portion of the Lender's or a Participant's rights and obligations under this Credit Agreement to a Person that is not an entity that is treated as a corporation organized or created under the laws of the United States or of any State for U.S. federal tax purposes or (b) Lender's merger or consolidation with, or transfer of substantially all of its assets to, another entity, and (iv) any tax, assessment or other governmental charge that would not have been imposed but for any present or former connection between the Lender or a Participant (or a shareholder of the Lender or a Participant) and the jurisdiction imposing such tax, assessment or

other governmental charge, including, without limitation, the Lender or a Participant's being or having been a citizen or resident of, present or engaged in a trade or business in, such jurisdiction, but excluding a connection arising solely as a result of the Lender's having entered into, received payments under and enforced this Credit Agreement (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under the Notes to the Lender, (i) the sum payable shall be increased as may be necessary so that after making all required deductions for Taxes (including deductions ("Additional Taxes") applicable to additional sums payable pursuant to this sentence), the Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any present or future stamp, documentary, excise, property or similar taxes, charges or levies that arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, or otherwise with respect to, this Credit Agreement or the Notes (hereinafter referred to as "Other Taxes").

(c) The Borrower shall indemnify the Lender for the full amount of Taxes, and Other Taxes, paid by the Lender and any liability (including penalties, additions to tax, Additional Taxes, interest and expenses) arising therefrom or with respect thereto except as may arise as a result of the Lender's gross negligence or willful misconduct.

(d) Within 30 days after the date of any payment of Taxes, the Borrower shall furnish to the Lender, at its address referred to in Section 8.02, the original receipt of payment thereof or a certified copy of such receipt.

(e) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.07 shall survive the payment in full of principal and interest hereunder and under the Note.

SECTION 2.08. Payment of Certain Costs and Expenses. The Borrower shall pay to the Lender within five (5) days after demand therefor all reasonable costs and expenses (including reasonable attorneys' fees and disbursements) incurred by the Lender in connection with (i) the approval of any lease, (ii) the preparation, negotiation and execution of any non-disturbance agreement requested for any lease, (iii) review and approval of any plans, construction contracts or any other documents relating to construction or development of a Property; and (iv) the assignment of any liens of the Mortgages pursuant to Section 7.08.

SECTION 2.09. Use of Proceeds. The proceeds of the Loan shall be available (and the Borrower agrees that it shall use such proceeds) only to provide working capital for the Borrower and its Subsidiaries.

ARTICLE III.

CONDITIONS OF LENDING

SECTION 3.01. Conditions Precedent to Funding Loan. The Loan shall be advanced by the Lender on or about the date hereof, or such later date as the Borrower and the Lender may otherwise agree, provided that the following conditions shall be conditions precedent to the obligations of the Lender hereunder to make the Loan:

(1) the representations and warranties of the Borrower contained herein shall be true and correct as of the Closing Date as if made on such date; and

(2) all costs and fees of the Lender (including attorney's fees and expenses) in connection with the Loan shall have been paid.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) Each Loan Party that is a corporation (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of its incorporation, (ii) is duly qualified and in good standing as a foreign corporation in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed is not reasonably likely to have a Material Adverse Effect and (iii) has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

(b) Each Loan Party that is a partnership or a limited liability company (i) is a partnership or a limited liability company duly formed and validly existing under the laws of the State of its formation, (ii) is duly qualified in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed is not reasonably likely to have a Material Adverse Effect and (iii) has all requisite partnership or a limited liability company power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

(c) The execution, delivery and performance by each Loan Party of this Credit Agreement, the Notes, each other Loan Document to which it is or is to be a party, and the consummation of the transactions contemplated herein and therein, are within such Loan Party's corporate, partnership or limited liability company powers, have been duly authorized by all necessary corporate, partnership or limited liability company action, and, to each such Loan Party's knowledge, do not (i) contravene such Loan Party's organizational documents, (ii) violate any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award,

except where such violation is not reasonably likely to have a Material Adverse Effect except as set forth on Schedule II hereof, (iii) except as set forth on Schedule II hereof, conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting any Loan Party, any of its Subsidiaries or any of their properties, except where such conflict, breach or default is not reasonably likely to have a Material Adverse Effect or (iv) except for the Liens created by the Collateral Documents result in or require the creation or imposition of any Lien upon or with respect to any of the properties of any Loan Party or any of its Subsidiaries.

(d) Other than as set forth on Schedule III hereof, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for (i) the due execution, delivery, recordation, filing or performance by any Loan Party of this Credit Agreement, the Notes, any other Loan Document to which it is or is to be a party, or for the consummation of the transactions contemplated hereby, (ii) the grant by any Loan Party of the Liens granted by it pursuant to the Collateral Documents, (iii) the perfection or maintenance of the Liens created by the Collateral Documents or (iv) the exercise by the Lender of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Collateral Documents.

(e) This Credit Agreement has been, and the Notes, each other Loan Document when delivered hereunder will have been, duly executed and delivered by each Loan Party thereto. This Credit Agreement is, and the Notes, each other Loan Document when delivered hereunder will be, the legal, valid and binding obligation of each Loan Party thereto, enforceable against such Loan Party in accordance with its terms.

(f) The Consolidated balance sheet of the Borrower and its Subsidiaries as of March 31, 2002, and the related Consolidated statement of income and cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, and the Consolidated balance sheet of the Borrower and its Subsidiaries as at March 31, 2002, and the related Consolidated statement of income and cash flows of the Borrower and its Subsidiaries for the nine months then ended, duly certified by the Chairman of the Board of Borrower or any other officer of Borrower, copies of which have been furnished to the Lender, fairly present, subject, in the case of said balance sheet as at March 31, 2002, and said statement of income and cash flows for the nine months then ended, to year-end audit adjustments, the Consolidated financial condition of the Borrower and its Subsidiaries as at such dates and the Consolidated results of the operations of the Borrower and its Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles applied on a consistent basis. Since March 31, 2002, there has been no Material Adverse Change.

(g) All financial statements delivered by any Loan Party to the Lender, are true, correct and complete in all material respects, fairly represent such Loan Party's financial condition as of the date hereof and thereof, and no information has been omitted that would make the information previously furnished misleading or incorrect in any material respect.

(h) To such Loan Party's knowledge, there is no action, suit, investigation, litigation or proceeding affecting any Loan Party not covered by insurance (subject to reasonable deductibles), including any Environmental Action, pending before any court, governmental

agency or arbitrator that (i) would be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation) or (ii) purports to affect the legality, validity or enforceability of this Credit Agreement, the Notes, any other Loan Document or the consummation of the transactions contemplated hereby, and there has been no adverse change in the status or financial effect on any Loan Party of the Disclosed Litigation from that described on Schedule IV hereof.

(i) Except as set forth on Schedule V(a) hereof to such Loan Party's knowledge, the operations and properties of each Loan Party and each of its Subsidiaries comply in all material respects with all Environmental Laws, all necessary Environmental Permits have been obtained and are in effect for the operations and properties of each Loan Party and its Subsidiaries, each Loan Party and its Subsidiaries are in compliance in all material respects with all such Environmental Permits, and, no circumstances exist that would be reasonably likely to (i) form the basis of an Environmental Action against any Loan Party or any of its Subsidiaries or any properties described in the Mortgages or the 59th Street Property that could have a Material Adverse Effect or (ii) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

(j) Except as set forth in the environmental reports heretofore delivered to the Lender as set forth on Schedule V(b) hereof, none of the operations and properties of each Loan Party is listed or, to the knowledge of any Loan Party, proposed for listing on the National Priorities List under CERCLA or on the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the Environmental Protection Agency or any analogous state list of sites requiring investigation or cleanup or is adjacent to any such property. Except as would not have a Material Adverse Effect, no underground storage tanks, as such term is defined in 42 U.S.C. Section 6991, are located on any property in violation of applicable Environmental Laws. Except as set forth on the environmental reports heretofore provided to the Lender, the Borrower has no knowledge of any underground storage tank located on any Property adjoining any Property.

(k) Each Loan Party and each of its Subsidiaries has filed or has caused to be filed all income tax returns (Federal, state and local) required to be filed and has paid all taxes shown thereon to be due, together with applicable interest and penalties. The Borrower is not aware of any material unasserted claims for prior taxes against it for which adequate reserves satisfactory to the Lender have not been established.

(l) Each Mortgagor has good, marketable and insurable fee simple title to the real property described in the Mortgage executed and delivered by such Mortgagor, as applicable, free and clear of all Liens, other than those disclosed on such Schedule and Liens created or permitted by the Loan Documents.

(m) Except as set forth on Schedule VI hereof, no Loan Party is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained herein or in any material agreement or instrument to which it is a party or by which it or any of its properties is bound.

(n) As of the date hereof, there has been no Material Adverse Change since the date of the most recent financial statements provided by the Borrower or such Loan Party to the Lender.

(o) No Loan Document or other document, certificate or statement furnished to the Lender by or on behalf of the Borrower or any other Loan Party contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. It is specifically understood by the Borrower that all such statements, representations and warranties shall be deemed to have been relied upon by the Lender as an inducement to make the Loan to the Borrower.

ARTICLE V.

COVENANTS

SECTION 5.01. Affirmative Covenants of the Borrower. So long as any portion of the Loan shall remain unpaid, the Borrower will, unless the Lender shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply, and cause each Mortgagor to comply, in all respects, with all applicable laws, rules, regulations and orders, except as set forth on Schedule VII hereof, or except where such non-compliance is not likely to have a Material Adverse Effect; and keep, and cause each Mortgagor to keep, at all times in full force and effect all authorizations required for the continued use and operation of the properties of the Borrower and of each Mortgagor except as set forth on such Schedule.

(b) Payment of Taxes, Etc. Prepare and timely file all federal, state and local tax returns required to be filed by the Borrower and promptly pay and discharge all taxes, assessments and other governmental charges, imposed upon the Borrower or its income or any of its property, and cause each Subsidiary to do so, with respect to real estate taxes, before interest and penalties commence to accrue thereon and, with respect to all other taxes, before they become a Lien upon such property, except for those taxes, assessments and other governmental charges then being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary has maintained adequate reserves and with respect to which (i) there is a not a reasonable likelihood, in the judgment of the Lender, that the Borrower or the Lender shall be subject to any risk of criminal or material civil liability and (ii) there is not a reasonable likelihood, in the judgment of the Lender, that the Borrower's or any of its Subsidiaries' properties shall be subject to the risk, respectively, of forfeiture or impairment, provided, however, that all real estate taxes must be paid when due. The Borrower shall submit to the Lender, upon request, an affidavit signed by the Borrower certifying that all federal, state and local income tax returns have been filed to date and all real property taxes, assessments and other governmental charges with respect to the Borrower's or any Subsidiary's properties have been paid to date.

(c) Compliance with Environmental Laws. Except as set forth on Schedule V(a) hereof, comply, and cause each of its Subsidiaries and all lessees and other Persons occupying its properties to comply, in all material respects, with all Environmental Laws and Environmental

Permits applicable to its operations and properties, except where the non-compliance with such laws or the absence or non-renewal of such permits is not likely to have a Material Adverse Effect; obtain and renew all Environmental Permits necessary for its operations and properties, except where such non-compliance is not likely to have a Material Adverse Effect; and to the extent and in the timeframe required by applicable Environmental Law conduct, and cause each of its Subsidiaries to conduct, any investigation, study, sampling and testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Materials from any of its properties, in accordance with the requirements of all Environmental Laws; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to undertake any such cleanup, removal, remedial or other action to the extent that its obligation to do so is being contested in good faith and by proper proceedings and with respect to which (i) there is no reasonable likelihood of any risk of criminal or material civil liability to the Lender, (ii) there is no reasonable likelihood that the Borrower's or any of its Subsidiaries' properties or the lien of the Mortgages shall be subject to the risk, respectively, of forfeiture or impairment and (iii) appropriate reserves are being maintained with respect to such circumstances.

(d) Maintenance of Insurance. Maintain and cause each Mortgagor to maintain, insurance with responsible and reputable insurance companies or associations in such amounts (subject to reasonable deductibles) and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates and as otherwise required by the Mortgages, provided, however, that Borrower shall cause the Mortgagors to maintain the insurance required by the Mortgages.

(e) Preservation of Corporate, Partnership or Limited Liability Company Existence, Etc. Preserve and maintain, in full force and effect, and cause each Mortgagor and each other Subsidiary, where applicable, to preserve and maintain its corporate, partnership or limited liability company existence, rights (charter and statutory) and franchises and all authorizations and rights material to its business; provided, however, that neither the Borrower nor any Mortgagor or other Subsidiary shall be required to preserve any right or franchise if the Board of Directors or general partners of the Borrower or such Mortgagor or other Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Borrower or such other Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to the Borrower, such Mortgagor or other Subsidiary or the Lender.

(f) Inspection Rights. At any reasonable time and from time to time, in each case upon reasonable prior notice, and at such times as shall not unreasonably disrupt tenants, permit the Lender or any agents or representatives thereof, to examine, audit and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and the Mortgagor, or other Subsidiary, and to discuss the affairs, finances and accounts of, the Borrower and any Mortgagor, or other Subsidiary, with any of their officers or directors and with their independent certified public accountants.

(g) Keeping of Books. Keep, and cause each Mortgagor and other Subsidiary to keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in

accordance with generally accepted accounting principles in effect from time to time consistently applied.

(h) Compliance with Terms of Lease Agreements. Perform, and cause each Subsidiary to perform, timely all of the obligations, covenants and agreements of the landlord contained in any lease now or hereafter affecting any of the Properties and require the timely performance by the tenant of all of the obligations, covenants and agreements to be performed by such tenant.

(i) Approval of Leases. The Borrower shall not, and shall cause each Mortgagor and other Subsidiary not to, lease space at any of the Properties without the Lender's consent, which consent shall not unreasonably be withheld, provided, however, that no such consent of Lender shall be required for any lease of 10,000 square feet or less unless (i) such lease requires the Lender to provide a non-disturbance agreement to the lessee or (ii) such lease is not on commercially reasonable terms. It is hereby expressly acknowledged and agreed by the Lender that all leases at any Property identified on the certified rent roll delivered to the Lender prior to the date hereof are and shall be deemed to be approved.

(j) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under the Loan Documents with any of their Affiliates or any Permitted Related Owners on terms that are fair and reasonable and no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate. Transactions with the Lender, Vornado Realty Trust and any of its Affiliates pursuant to agreements existing as of the date hereof among Borrower or its Subsidiaries and Vornado Realty Trust and its Affiliates are approved.

(k) Maintenance of Properties. Maintain or cause to be maintained the Properties and all other items constituting Collateral.

(l) Compliance with Loan Documents. Comply and cause each Loan Party to comply with all of its covenants set forth in each of the Loan Documents.

(m) After Acquired Properties. Subject to the requirements of (i) liens existing at the time of acquisition, (ii) purchase money mortgage liens and (iii) liens in connection with construction or development financing which construction or development financing is reasonably acceptable to the Lender, grant to the Lender a valid mortgage lien on, or spread the lien of a Mortgage to encumber, any real property acquired by Borrower or any Subsidiary after the date hereof. Reference is made to that certain Building Loan Agreement, dated as of July 3, 2002 (the "Building Loan Agreement"), by and among 731 Commercial LLC and 731 Residential LLC and Bayerische Hypo-und Vereinsbank, AG (the "Bank"), that certain Project Loan Agreement, dated as of July 3, 2002 (the "Project Loan Agreement"), and that certain Supplemental Loan Agreement, dated as of July 3, 2002 (the "Supplemental Loan Agreement" and together with the Building Loan Agreement and the Project Loan Agreement, the "Loan Agreements") pursuant to which the Bank will lend to 731 Commercial LLC and 731 Residential LLC a maximum of \$_____ million (the "Construction Loan") for the purposes of funding the cost of constructing a ___ square foot mixed residential/office/retail building at the property known as 731 Lexington Avenue, New York, New York (the "Project"). It is understood and

agreed that so long as the Construction Loan (and any refinancing thereof that has been approved by Lender and that does not permit a mortgage in favor of Lender to be granted with respect to the Project) shall remain outstanding, no such mortgage shall be required with respect to the Project.

(n) Trust Fund. In compliance with Section 13 and Article 3-A of the Lien Law of the State of New York, receive all proceeds of the Loan and hold the right to receive all such proceeds as a trust fund to be used first for the purpose of paying the cost of improvement, and apply all such proceeds first to the payment of the cost of improvement before using any part of such proceeds for any other purpose.

SECTION 5.02. Negative Covenants. So long as any portion of the Loan Obligations shall remain unpaid, the Borrower will not, or permit any other Loan Party to, at any time, without the written consent of the Lender:

(a) Liens, Etc. Create, incur, assume or suffer to exist, or permit any Loan Party or Subsidiary to create, incur, assume or suffer to exist, any Lien on or with respect to any of its properties of any character (including, without limitation, accounts) whether now owned or hereafter acquired, or sign or file, or permit any Loan Party or Subsidiary to sign or file, under the Uniform Commercial Code of any jurisdiction, a financing statement that names the Borrower or any Mortgagor or any Subsidiary as debtor, or sign, or permit any Loan Party or Subsidiary to sign, any security agreement authorizing any secured party thereunder to file such financing statement, or assign or permit any Mortgagor or Subsidiary to assign, any accounts or other right to receive income, excluding, however, from the operation of the foregoing restrictions the following:

(i) Liens created by the Loan Documents or the Other Vornado Loan Documents;

(ii) Permitted Liens;

(iii) Liens otherwise consented to by the Lender in writing; and

(iv) Liens created by the Loan Agreements or the other documents entered into in connection with the Loan Agreements (and any refinancings of the Construction Loan approved by Lender or any workouts or additional financings by the holders of the Construction Loan to 731 Residential LLC and/or 731 Commercial LLC).

Debt. Create, incur, assume or suffer to exist, or permit any Mortgagor or Subsidiary to create, incur, assume or suffer to exist, any Debt other than:

(i) Debt under the Loan Documents, or the Other Vornado Loan Documents;

(ii) Subordinate Debt or subordinated indebtedness approved by the Lender;

(iii) Debt secured by Permitted Liens; and

(iv) The Construction Loan and any other Debt incurred pursuant to the Loan Agreements (and any refinancings of the Construction Loan approved by Lender or any workouts or additional financings by the holders of the Construction Loan to 731 Residential LLC and/or 731 Commercial LLC).

(b) Mergers, Etc. Merge into or consolidate with any Person or permit any Person to merge into it, or permit any Loan Party or Subsidiary to do so, except that (i) any Loan Party may merge into or consolidate with any other Loan Party; provided that, in the case of any such consolidation, the Person formed by such consolidation shall be a wholly owned Subsidiary of the Borrower; provided further, that the Borrower shall pledge and grant to Lender a first priority perfected lien in and security interest on the capital stock or other equity interests of such Subsidiary owned by the Borrower to the Lender as further collateral for the Loan Obligations, and (ii) any Subsidiary or Permitted Related Owner that is not a Loan Party may merge into or consolidate with any Subsidiary or Permitted Related Owner which is not a Loan Party.

(c) Investments in Other Persons. Purchase or acquire the obligations or stock of, or any other interest in, any Person (other than a Permitted Related Owner), except such investments as are made with surplus cash and do not expose the Borrower to any risk of loss in excess of the amount of cash invested.

(d) Loans, etc. Make, or permit any Mortgagor or Subsidiary to make, loans to any Person, other than to the Borrower, a wholly owned Subsidiary or a Permitted Related Owner.

(e) Dividends, Etc. Declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its capital stock or any warrants, rights or options to acquire such capital stock, now or hereafter outstanding (except that Permitted Related Owners may pay dividends to the Borrower) return any capital to its stockholders as such, make any distribution of assets, capital stock, warrants, rights, options, obligations or securities to its stockholders as such or issue or sell any capital stock or any warrants, rights or options to acquire such capital stock (except for capital stock issued by Permitted Related Owners), or permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any capital stock of the Borrower or any warrants, rights or options to acquire such capital stock or to issue or sell any capital stock or any warrants, rights or options to acquire such capital stock; provided, however, that nothing contained in this Section shall prohibit Borrower from (i) paying a dividend or making a distribution in the form of, or from the proceeds of an issuance of, subordinated indebtedness or otherwise (including, without limitation, payment in cash) as may reasonably be required, based upon the advice of counsel, to enable the Borrower to qualify as a REIT under the Code or (ii) paying a dividend or making a distribution from the proceeds of the issuance by the Borrower of equity securities.

(f) Change in Nature of Business. Make, or permit any Mortgagor to make, any material change in the nature of its business as carried on at the date hereof and will not, nor permit any Mortgagor or Subsidiary to, remove, demolish, materially alter, discontinue the use of, sell, transfer, assign, hypothecate, pledge or otherwise dispose of, except as permitted hereunder and for sales, transfers, assignments and pledges to Subsidiaries or Permitted Related Owners, any part of its assets necessary for the continuance of its business, as presently

conducted and as presently contemplated, except in the normal course of business. Notwithstanding the foregoing, no Mortgagor or Subsidiary shall transfer any Property except to a Permitted Related Owner.

(g) Charter Amendments. Amend, or permit any Mortgagor or Subsidiary to amend, its certificate of incorporation or bylaws, partnership agreement, certificate of limited partnership, operating agreement or certificate of limited liability company.

(h) Accounting Changes. Make, or permit any Mortgagor to make or permit, any change in accounting policies or reporting practices, except as required by generally accepted accounting principles.

(i) Amendment, Etc. of Related Documents. Except as may be required in order for the Borrower to qualify as a REIT under the Code, with respect to (i) the Management Agreement, (ii) the Leasing Agreement, (iii) Major Leases, (iv) the Architect's Contract (as defined in the Loan Agreements to be executed in connection with the Construction Loan), (v) the Bloomberg Lease (as defined in the Loan Agreements), (vi) the Construction Management Agreement (as defined in the Loan Agreements), (vii) the Loan Agreements and other Loan Documents and (ix) the Major Trade Contracts (as defined in the Loan Agreements), cancel or terminate or consent to or accept any cancellation or termination thereof, amend, modify or change in any material manner any term or condition thereof, waive any material default under or any material breach of any material term or condition thereof, agree in any manner to any other amendment, modification or change of any material term or condition thereof or take any other action in connection therewith that would impair the value of the interest or rights of the Borrower or other Subsidiary thereunder or that would impair the rights or interests of the Lender, or permit any Mortgagor or other Subsidiary to do any of the foregoing.

(j) Future Speculative Development. Develop, or permit any Mortgagor or Subsidiary to develop, any undeveloped real property owned by the Borrower or such Mortgagor or Subsidiary in the absence of executed leases approved by Lender for more than 50% of the projected leasable space on such property; provided, that development of the Project shall be permitted.

(k) Negative Pledge. Except in connection with (i) Existing Debt, (ii) Secured Debt permitted hereby, (iii) Subordinate Debt permitted hereby, and (iv) Permitted Liens, but only to the extent expressly permitted herein, the Borrower shall not enter into any covenant or other agreement that prevents it or could prevent it in the future from pledging, granting a security interest in, mortgaging, assigning, encumbering or otherwise creating a lien on any of its property (whether real or personal, tangible or intangible, and now owned or hereafter acquired) in favor of the Lender, or that would be breached if the Borrower were to pledge, grant a security interest in, mortgage, assign, encumber or otherwise create a lien on any of its property (whether real or personal, tangible or intangible, and now owned or hereafter acquired) in favor of the Lender.

(l) Future Property Acquisition. Except as permitted in Section 6.01, acquire, or permit any Mortgagor or Subsidiary to acquire, any real property without the consent of the Lender and without executing and delivering or causing such Mortgagor or Subsidiary to execute

and deliver any instrument the Lender may deem necessary or desirable to effectuate such real property becoming additional security for the Loan.

(m) Payments Under Subordinate Loan Documents. Make any payment in respect of any Subordinate Debt (i) at any time while any amount shall be due and owing under any of the Loan Documents or (ii) after the Loan shall have matured or the Lender shall have accelerated payment of the Loan pursuant to Section 7.01 or prepay any Subordinate Debt while at any time that any Loan Obligation remains unpaid.

(n) Transfer of Properties. Transfer title to any of the Properties except to (i) any Mortgagor, (ii) any Person described in clause (a) of the definition of Permitted Related Owner, (iii) any Person described in clause (b) of the definition of Permitted Related Owner or (iv) with respect to the 59th Street Property, 731 Commercial LLC and 731 Residential LLC, or to the holders of the construction loan (or their nominee or nominees) as part of a deed in lien transaction, provided that, (x) in the case of clause (iii), a receiver of a Property sought to be transferred to such Permitted Related Owner has proposed to enter into a lease at such Property or take any other action which would materially adversely affect the Borrower's qualification as a REIT and the Borrower has given ten (10) days' notice to the Lender of its intention to transfer such Property to such Permitted Related Owner and (y) in the case of the 59th Street Property, residential condominium units may be sold.

(o) Issuance of Shares. Issue, or permit any Subsidiary (other than a Permitted Related Owner) to issue any shares of stock that are not issued as of the date hereof, except that notwithstanding this paragraph the Borrower shall be permitted to issue shares of stock at any time so long as, taking into account such issuance, Vornado Realty Trust and its Affiliates (including for this purpose Interstate Properties) shall continue to own in the aggregate not less than 20% of the outstanding shares of common stock of the Borrower, and, provided further, with respect to Borrower only, that an automatic exchange involving Excess Stock as defined in and pursuant to Borrower's Amended and Restated Certificate of Incorporation shall not be treated as an issuance of shares for the purposes of this Section.

SECTION 5.03. Reporting Requirements. So long as any portion of the Loan shall remain unpaid, the Borrower will, unless the Lender shall otherwise consent in writing, furnish to the Lender:

(a) Quarterly Financials. (i) As soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Borrower, Borrower's Quarterly Report on Form 10-Q for the preceding quarter as filed with the Securities and Exchange Commission (the "Commission"), containing unaudited financial statements as required by law; and (ii) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year, an unaudited consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such quarter and consolidating statement of operations and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding period of the preceding fiscal year, all in reasonable detail and represented to be true and correct (subject to year-end

audit adjustments) by the Chairman of the Board of the Borrower or other officer of the Borrower.

(b) Annual Financials. (i) As soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, a copy of the Borrower's Annual Report on Form 10-K for such fiscal year as filed with the Commission; and (ii) as soon as available and in any event within 120 days after the end of each fiscal year, an unaudited consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year and an unaudited consolidating statement of operations and cash flows of the Borrower and its Subsidiaries for such fiscal year, represented to be true and correct by the Chairman of the Board of the Borrower or other officer of the Borrower.

(c) Litigation. Promptly after the commencement thereof, notice of all actions, suits, investigations, litigation and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting any Loan Party of the type described in Section 4.01(h), and promptly after the occurrence thereof, notice of any material adverse change in the status of the Disclosed Litigation from that described on Schedule IV hereof.

(d) Environmental Conditions. Promptly after the occurrence thereof, notice of any condition or occurrence that results in a material noncompliance by any Loan Party or any of its Subsidiaries with any Environmental Law or Environmental Permit or would be reasonably likely to (i) form the basis of an Environmental Action against any Loan Party or any of its Subsidiaries or any Property that could have a Material Adverse Effect or (ii) cause any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

(e) Financial Data for Each Property. Not later than 120 days after the end of each fiscal year, and not later than sixty (60) days after the end of each fiscal quarter, financial data in form reasonably satisfactory to the Lender relating to the operation of each of the Properties, including, without limitation, certified rent roll and summary of leases represented as true and correct by the Chairman of the Board of the Borrower or other officer of the Borrower.

(f) Budget. To the extent required and received under the Management Agreement, not less than 30 days prior to the commencement of each fiscal year, an annual operating budget relating to the Properties for the upcoming fiscal year including, without limitation, the projected gross rental income and projected operating expenses on a line item basis, provided, however, nothing herein contained shall be deemed to require the Borrower to comply with such budgets.

(g) Other Information. Such other information respecting the business, financial condition, operations, performance or properties of any Loan Party as the Lender may from time to time reasonably request.

SECTION 5.04. Covenants of the Lender. (a) The Lender hereby covenants to Borrower that it will not exercise any rights, including rights exercisable upon the occurrence of an Event of Default, that it has arising from or as a result of this Credit Agreement or any related agreement to cause Borrower or any Subsidiary of Borrower or any Permitted Related Owner to (i) enter into a lease or lease amendment that either (A) provides for payments that are based,

directly or indirectly (including through sub-leasing), upon the net "income or profits" of any person (as defined in Section 856(d) (2) of the Code) or (B) requires Borrower or any Subsidiary of Borrower or any Permitted Related Owner to provide a service to a tenant, other than through an independent contractor (as defined in Section 856(d)(2) of the Code), where the provision of such service by Borrower or any of its Subsidiaries or any Permitted Related Owner would cause rents received by the Borrower or any of its Subsidiaries to fail to be "rents from real property" under Section 856(d)(2) of the Code, (ii) engage in a new line of business which (A) is unrelated to the development or leasing of real property and (B) would create a substantial risk, as a result of its generation of income not described in Section 856(c)(2) or (c)(3) of the Code, that Borrower would fail to qualify as a REIT under the Code or (iii) acquire an asset that would cause Borrower to fail to satisfy the asset test of Section 856(c)(5) of the Code; provided, however, that the foregoing covenants of this Section 5.04(a) shall not (x) preclude the Lender from collecting amounts due to the Lender under this Credit Agreement or from foreclosing on any property securing such indebtedness or (y) be deemed to have been breached or violated by the Lender as a result of any act or action (including, without limitation, the execution of a lease) made, done or taken by any receiver for any property of any Loan Party (including a receiver appointed at the request of the Lender) unless a motion to compel such act or action was made by the Lender to the court which appointed such receiver.

(b) The Lender agrees to use reasonable efforts to preserve the confidentiality of any Confidential Information received by it from the Borrower except as required by law or court order.

(c) The Lender shall execute and deliver a non-disturbance agreement substantially in the form of Exhibit C hereto (with such changes as the Lender may reasonably request) in connection with any lease approved by the Lender pursuant to Section 5.01(i) where the tenant is a nationally recognized credit-worthy retail tenant, provided that the tenant under such Lease shall require such non-disturbance agreement.

ARTICLE VI.

SPECIAL PROVISIONS

SECTION 6.01. Condemnation and Casualty. (a) In the event of any condemnation or casualty of any Property in part or in the entirety, the proceeds of such condemnation or casualty, to the extent not retained or otherwise applied by the holder of any mortgage securing Senior Debt on such Property, or by the holder of the Construction Loan, applied as required pursuant to any Major Lease approved by the Lender at the Property or applied by such mortgagee or in accordance with such Major Lease either to restore the improvements on such Property or to reduce such Senior Debt or the Construction Loan, as applicable, applied as required pursuant to any condominium declaration and/or related by-laws affecting any Property that has previously been approved by Lender to restore the improvements on such Property or applied in accordance with the Loan Documents, shall be immediately deposited by Borrower in a cash collateral account to be maintained by Borrower at a depository designated by Lender and under the sole dominion and control of Lender (the "Cash Collateral Account") pursuant to a cash collateral agreement to be entered into between Borrower, Lender and such Depository (the "Cash Collateral Agreement"); (such proceeds of condemnation so

deposited being herein called "Condemnation Proceeds"; such proceeds of casualty so deposited being herein called "Casualty Proceeds"; and Condemnation Proceeds and/or Casualty Proceeds being herein called "Proceeds") and shall constitute additional collateral for the Loan Obligations.

(b) Provided that no Default or Event of Default shall have occurred and be continuing, the Borrower shall be entitled to withdraw any Condemnation Proceeds from the Cash Collateral Account for the purpose of acquiring additional real estate assets with the consent of the Lender, which consent shall not be unreasonably withheld, provided that, subject to the Loan Documents, the Loan Agreements and the Other Vornado Loans (i) Borrower shall have delivered to Lender an appraisal for such real estate (x) for an amount at least equal to the amount of the Condemnation Proceeds sought to be withdrawn by the Borrower to purchase such real estate and (y) issued by an appraisal company and in form and substance reasonably satisfactory to the Lender; (ii) the Borrower shall have delivered to Lender environmental, engineering and such other studies, reports, documents, title reports, violation searches and other information relating to such real estate as would be generally required by the Lender in accordance with good institutional lending practices, all of which studies, reports, documents and other information shall be in form and substance reasonably satisfactory to the Lender; (iii) the Lender shall be granted a priority lien mortgage on said real estate to further secure the Guaranty (the "Additional Mortgage"); (iv) the Borrower shall have delivered to Lender a paid-up mortgage title insurance policy in favor of Lender, insuring the Additional Mortgage as a second priority mortgage on such real estate, subject to no encumbrances or other title exceptions except those title exceptions which Lender reasonably determines are acceptable based on good institutional lending practices; and (v) the Borrower shall have paid all reasonable costs and expenses of the Lender (including reasonable attorneys' fees and expenses) incurred by the Lender in connection with the review of any of the foregoing conditions.

(c) The Borrower shall also have the right to withdraw the Condemnation Proceeds remaining in the Cash Collateral Account to pay for the cost of constructing improvements on any Property covered by any Mortgage, and the Borrower shall have the right to withdraw any Casualty Proceeds in the Cash Collateral Account to pay for the repair and restoration of improvements whose damage or destruction generated such Casualty Proceeds, provided that, in all cases, subject to the Loan Documents, the Loan Agreements and any condominium declaration and/or related by-laws affecting such Property that has previously been approved by Lender and the Other Vornado Loans: (i) no Default or Event of Default shall be continuing; (ii) the Lender shall have approved the plans and specifications for the construction of such improvements as well as the general contract and other major contracts to be entered into by the Borrower in connection with such construction, which approval will not unreasonably be withheld; (iii) the Lender shall have received such certification and assurances as Lender shall reasonably request to assure it that the cost of constructing the improvements as shown on the plans approved by Lender does not exceed the amount of the Proceeds sought to be withdrawn by the Borrower to pay for such improvements; and (iv) the Lender may impose such further conditions and restrictions upon the disbursement of such Proceeds as the Lender deems necessary or desirable, consistent with prudent institutional construction lending practices, to assure the completion of the proposed improvements subject to no liens or encumbrances (except Permitted Liens) and in accordance with the aforesaid approved plans and all applicable laws.

SECTION 6.02. Payment of REIT Dividends. In the event that the Borrower shall determine, upon the advice of counsel then generally used by Borrower for tax advice, that it shall be required to pay a dividend or make a distribution to stockholders in order to preserve its qualification as a REIT, whether or not the Proceeds shall have been applied as contemplated pursuant to Section 6.01 (b) or (c), then, anything herein to the contrary notwithstanding, the Borrower may, with the consent of the Lender (i) incur unsecured subordinated indebtedness for the purpose of paying such dividend or making such distribution or to pay such dividend or make such distribution in the form of subordinated indebtedness and/or (ii) withdraw Proceeds from the Cash Collateral Account to pay such dividend or make such distribution.

ARTICLE VII.

EVENTS OF DEFAULT

SECTION 7.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) the Borrower shall fail to pay (i) any principal of the Loan, when the same becomes due and payable or (ii) any other payment under any Loan Document, in each case under this clause (ii) within five days after notice of the same becoming due and payable; or

(b) any representation or warranty made by any Loan Party (or any of its officers) under or in connection with any Loan Document shall prove to have been incorrect in any material respect when made; or

(c) the Borrower shall fail to perform or observe, in any material respect, any term, covenant or agreement contained in Section 5.02; or

(d) except as otherwise specified in such Loan Document, any Loan Party shall fail to perform any other term, covenant or agreement contained in any Loan Document on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice (or such longer period, if any, as may be set forth in the applicable covenant or agreement) thereof shall have been given to the Borrower by the Lender; or

(e) any Loan Party or any of its Subsidiaries shall fail to pay any principal of, premium or interest on or any other amount payable in respect of or any Subordinated Debt of such Loan Party or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable notice and grace period, if any, specified in the agreement or instrument relating to such Subordinated Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Subordinated Debt and shall continue after the applicable notice and grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate the maturity of such Subordinated Debt or otherwise to cause such Subordinated Debt to mature; or any such Subordinated Debt shall be declared to be due and payable or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased

or defeased, or an offer to prepay, redeem, purchase or defease such Subordinated Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(f) any Loan Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Loan Party seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it) that is being diligently contested by it in good faith, either such proceeding shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or any substantial part of its property) shall occur; or any Loan Party shall take any corporate action to authorize any of the actions set forth above in this subsection (f); or

(g) any judgment or order for the payment of money in excess of \$500,000 shall be rendered against any Loan Party, and either (i) enforcement proceedings shall have been commenced and be continuing by any creditor upon such judgment or order or (ii) there shall be any period of 20 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) any non-monetary judgment or order shall be rendered against any Loan Party that is reasonably likely to have a Material Adverse Effect, and there shall be any period of 20 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(i) any material provision of any Loan Document after delivery thereof shall for any reason cease to be valid and binding on or enforceable against any Loan Party to it, or any such Loan Party shall so state in writing; or

(j) except as otherwise permitted under Section 5.02(a), any Collateral Document after delivery thereof shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected Lien on the Collateral purported to be covered thereby with the priority of liens set forth therein;

(k) any Event of Default (as such term is defined in any Loan Document) shall occur and be continuing;

(l) any Event of Default (as such term is defined in any loan document of the Other Vornado Loans) shall occur and be continuing; or

(m) any Event of Default (as such term is defined in the Loan Agreements of the Construction Loan) shall occur and be continuing;

then, and in any such event, the Lender may, by notice to the Borrower, declare the Loan Obligations, together with all interest thereon and all other amounts payable under this Credit

Agreement and the other Loan Documents, to be forthwith due and payable, whereupon the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to any Loan Party under the United States Bankruptcy Code, the Notes, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VIII.

MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of this Credit Agreement or the Note, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower and the Lender, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 8.02. Notices, Etc. All notices and communications under this Credit Agreement shall be in writing and shall be given by either (a) hand-delivery, (b) facsimile transmission, (c) first class mail (postage prepaid), or (d) reliable overnight commercial courier (charges prepaid)

(i) if to the Borrower, to:

Alexander's Inc.
c/o Vornado Realty Trust
210 Route 4 East
Paramus, New Jersey 07652-0910
Attention: Chief Financial Officer
Facsimile No.: (201) 587-0600

with a copy to:

Winston & Strawn
200 Park Avenue
New York, New York 10166
Facsimile No.: (212) 294-4700
Attention: Neil Underberg

and

Vornado Realty Trust
888 Seventh Avenue
New York, New York 10019
Attention: President
Facsimile No.: (212) 894-7070

(ii) if to the Lender, to:

Vornado Lending L.L.C.
c/o Vornado Realty Trust
210 Route 4 East
Paramus, New Jersey 07652-0910
Attention: Chief Financial Officer
Facsimile No.: (201)587-0600

Notice shall be deemed to have been given and received: (i) if by hand delivery, upon delivery; (ii) if by facsimile, upon transmission; (iii) if by mail, three (3) calendar days after the date first deposited in the United States mail; and (iv) if by overnight courier, on the date scheduled for delivery. A party may change its address by giving written notice to the other party as specified herein.

SECTION 8.03. No Waiver; Remedies. No failure on the part of the Lender to exercise, and no delay in exercising, any right hereunder or under the Notes shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs, Expenses. (a) The Borrower agrees to pay on demand (i) all reasonable costs and expenses of the Lender in connection with the preparation, execution, delivery, administration, modification and amendment of the Loan Documents (including, without limitation, the reasonable fees and expenses of counsel for the Lender with respect thereto) and (ii) all reasonable costs and expenses of the Lender in connection with the enforcement of the Loan Documents, whether in any action, suit or litigation, any bankruptcy, insolvency or other similar proceeding affecting creditors' rights generally or otherwise (including, without limitation, the reasonable fees and expenses of counsel for the Lender with respect thereto).

(b) The Borrower agrees to indemnify and hold harmless the Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with (i) the transactions contemplated hereby, (ii) the actual or alleged presence of Hazardous Materials on any property or any Environmental Action relating in any way to any Loan Party or any of its Subsidiaries, (iii) disputes with any architect, general contractor, subcontractor, materialman or supplier, or on account of any act or omission to act by the Lender in connection with any Property, (iv) any untrue statement of a material fact contained in information submitted to the Lender by the Borrower or the omission of any material fact necessary to be stated therein in order to make such statement not misleading or incomplete, (v) the failure of the Borrower or any Loan Party to perform any obligations required to be performed by the Borrower or any Loan Party under any

Loan Document and (vi) the ownership, construction, occupancy, operation, use or maintenance of any of the Properties, in each case whether or not the transactions contemplated hereby are consummated, except (i) to the extent such claim, damage, loss, liability or expense is found to have resulted from any Indemnified Party's gross negligence or willful misconduct. Notwithstanding the foregoing provisions of this Section 8.04(b), the Borrower shall have no obligation to indemnify any Indemnified Party against, or hold it harmless from, (i) any judgment rendered by a court of competent jurisdiction against any Indemnified Party and in favor of the Borrower, or (ii) any legal fees and expenses incurred by the Indemnified Party in defending the action brought by the Borrower which resulted in such judgment in favor of the Borrower, but the foregoing provisions of this sentence shall not diminish or otherwise affect the Borrower's liability for payment of all legal fees and expenses incurred by the Lender in enforcing the Lender's rights and remedies under any of the Loan Documents.

(c) In case any action shall be brought against the Lender or any other Indemnified Party in respect of which indemnity may be sought against the Borrower, the Lender or such other Indemnified Party shall promptly notify the Borrower and the Borrower shall assume the defense thereof, including the employment of counsel selected by the Borrower and reasonably satisfactory to the Lender, the payment of all costs and expenses and the right to negotiate and consent to settlement. The failure of the Lender to so notify the Borrower shall not relieve the Borrower of any liability it may have under the foregoing indemnification provisions or from any liability which it may otherwise have to the Lender or any of the other Indemnified Parties except to the extent that the Borrower incurs actual expenses or suffers actual monetary loss as a result of such failure to give notice. The Lender shall have the right, at its sole option, to employ separate counsel and as long as Borrower is complying with its indemnification obligations hereunder, the fees and disbursements of such separate counsel shall be paid by Lender. The Borrower shall not be liable for any settlement of any such action effected without its consent, but if settled with the Borrower's consent, or if there be a final judgment for the claimant in any such action, the Borrower agrees to indemnify and save harmless the Lender from and against any loss or liability by reason of such settlement or judgment.

(d) If any Loan Party fails to pay when due any costs, expenses or other amounts payable by it under any Loan Document, including, without limitation, fees and expenses of counsel and indemnities, such amount may be paid on behalf of such Loan Party by the Lender, in its sole discretion.

(e) The provisions of this Section 8.04 shall survive the repayment or other satisfaction of the Borrower's Obligations hereunder.

SECTION 8.05. Merger. This Credit Agreement and the other Loan Documents constitute the sole agreement of the parties with respect to the transactions contemplated herein and therein and supersede all oral negotiations and prior writings with respect thereto.

SECTION 8.06. Binding Effect. This Credit Agreement shall become effective when it shall have been executed by the Borrower and the Lender and thereafter shall be binding upon and inure to the benefit of the Borrower, the Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lender.

SECTION 8.07. Lender's Discretion. Except as otherwise specified in this Credit Agreement, whenever this Credit Agreement provides that the Lender's consent or approval is required, or that any action may be taken or not taken at the Lender's option, such consent or approval may be given or not, and such action may be taken or not, in the Lender's sole discretion. Any reference in this Credit Agreement to Lender's consent or approval being required shall be deemed to refer to Lender's prior consent or approval given in writing.

SECTION 8.08. Participations. (a) The Lender may sell participations in up to one-third of its rights and obligations under this Credit Agreement (including, without limitation, of its Loan and the Notes held by it) (the purchaser of any rights and obligations being referred to herein as a "Participant"); provided, however, that (i) the obligations of the Borrower and the Lender under this Credit Agreement and the other Loan Documents shall remain unchanged, (ii) the Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower shall continue to deliver all notices, communications and payments solely to the Lender and any such notice, communication or payment shall be valid and effective for all purposes hereunder notwithstanding any such sale of participations. Upon the sale of any participation permitted hereunder, the Borrower shall cooperate with such reasonable requests of the Lender, at the sole expense of the Lender, to sever and split the note issued hereunder among the Lender and any Participants.

(b) The Lender may, in connection with any participation or proposed participation pursuant to this Section 8.08, disclose to the Participant or proposed Participant, any information relating to the Borrower furnished to the Lender by or on behalf of the Borrower; provided, however, that, prior to any such disclosure, the Participant or proposed Participant shall agree to preserve the confidentiality of any Confidential Information received by it from the Lender.

(c) Notwithstanding any other provision set forth in this Credit Agreement, the Lender may at any time create a security interest in all or any portion of its rights under this Credit Agreement (including, without limitation, the Loan and the Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 8.09. Governing Law. This Credit Agreement and the Note shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.10. Execution in Counterparts. This Credit Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Credit Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Credit Agreement.

SECTION 8.11. Waiver of Jury Trial. Each of the Borrower and the Lender hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to any of the Loan Documents, the Loan or the actions of the Lender in the negotiation, administration, performance or enforcement thereof. The Borrower acknowledges and agrees that this section is a specific and material

aspect of this Credit Agreement and that the Lender would not extend credit to the Borrower if the waiver set forth in this section were not a part of this Credit Agreement.

SECTION 8.12. Jurisdiction. The Borrower irrevocably appoints each and every owner, partner and/or officer of the Borrower as its attorneys upon whom may be served, by regular or certified mail at the address set forth herein, any notice, process or pleading in any action or proceeding against it arising out of or in connection with this Credit Agreement or any other Loan Document; and the Borrower hereby consents that any action or proceeding against it may be commenced and maintained in any court within the State of New Jersey or the State of New York or in the United States District Court for the District of New Jersey or the United States District Court for the Southern District of New York by service of process on any such owner, partner and/or officer; and the Borrower agrees that the courts of the State of New Jersey and the courts for the State of New York and the courts for the United States District Court for the District of New Jersey and the courts for the United States District Court for the Southern District of New York shall have jurisdiction with respect to the subject matter hereof and the person of the Borrower and all collateral securing the obligations of the Borrower. The Borrower agrees not to assert any defense to any proceeding initiated by the Lender in such court based upon improper venue or inconvenient forum. The foregoing shall not limit, restrict or otherwise affect the right of the Borrower or the Lender to commence any action on this Credit Agreement or any other Loan Document in any other courts having jurisdiction.

SECTION 8.13. Continuing Enforcement. If, after receipt of any payment of all or any part of the Borrower's Obligations hereunder, the Lender is required by law in connection with insolvency, fraudulent conveyance, bankruptcy or similar proceedings to surrender such payment then this Credit Agreement and the other Loan Documents shall continue in full force and effect, and the Borrower shall be liable for, and shall indemnify defend and hold harmless the Lender with respect to the full amount so surrendered. The provisions of this Section 8.13 shall survive the termination of this Credit Agreement and the other Loan Documents and shall remain effective notwithstanding the payment of the Borrower's Obligations hereunder, the cancellation of the Notes or any other Loan Document, the release of any security interest, lien or encumbrance securing the Borrower's Obligations hereunder or any other action which the Lender may have taken in reliance upon its receipt of such payment. Any cancellation, release or other such action by the Lender shall be deemed to have been conditioned upon any payment of the Borrower's Obligations hereunder having become final and irrevocable.

* * *

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Credit Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ALEXANDER'S, INC.

By: /s/ Brian Kurtz

Name: Brian Kurtz
Title: Assistant Secretary

VORNADO LENDING L.L.C.

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President

STATE OF New York)
)
COUNTY OF New York) ss.:

On the 2nd day of July, in the year 2002, before me, the undersigned, personally appeared Brian Kurtz, 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/ Leon T. Busteed

Notary Public Leon Busteed
My commission expires: Nov. 30, 2002

STATE OF New York)
)
COUNTY OF New York) ss.:

On the 2nd day of July, in the year 2002, before me, the undersigned, personally appeared Joseph Macnow, 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/ Leon T. Busteed

Notary Public Leon Busteed
My commission expires: Nov. 30, 2002

SCHEDULE I
PROPERTIES

REGO PARK II PROPERTY

Address: Junction Boulevard
Rego Park, New York

Tax Map Designation:

Block: 2080 Lot: 101

REGO PARK III PROPERTY

Address: Junction Boulevard
Rego Park, New York

Tax Map Designation:

Block: 2077 Lot: 90 and 98
Block: 2076 Lot: 50 and 63

SCHEDULE II
CONFLICTS UNDER LOAN DOCUMENTS

1. Completing recordation and filing of the Mortgages and other documents.

SCHEDULE III
REQUIRED AUTHORIZATIONS

1. Recording Mortgages and making other security filings.

SCHEDULE IV
DISCLOSED LITIGATION

1. Claims in process in the Bankruptcy Proceeding as set forth in attached Schedule IV-A.

SCHEDULE V(a)
ENVIRONMENTAL NON-COMPLIANCE

1. Environmental matters disclosed in Alexander's, Inc. quarterly report on Form 10-Q for the quarter ended September 30, 1994, et. seq.

SCHEDULE V(b)
ENVIRONMENTAL REPORTS

Phase I Environmental Site Assessment prepared for Alexander's, Inc., 31 West 34th Street, Seventh Floor, New York, NY 10001 and prepared by Certified Engineering & Testing Company, Inc., 444 Park Avenue South, Suite 702, New York, NY 10016 for:

1. Alexander's Department Store, 96-05 Queens Boulevard, Rego Park, New York 11374 (December 1, 1993)

SCHEDULE VI
DEFAULTS UNDER MATERIAL AGREEMENTS

(None)

SCHEDULE VII
NON-COMPLIANCE WITH LAWS

(None)

EXHIBIT A
FORM OF NOTE

A-1

EXHIBIT B
FORM OF GUARANTY

B-1

EXHIBIT C
FORM OF NON-DISTURBANCE AGREEMENT

B-1

EXHIBIT D
FORM OF MORTGAGE

EXHIBIT E
FORM OF PLEDGE AGREEMENT

AMENDED AND RESTATED CREDIT LINE AGREEMENT

dated as of July 3, 2002

among

ALEXANDER'S INC.,
as Borrower

and

VORNADO LENDING L.L.C.,
as Lender

TABLE OF CONTENTS

	Page
ARTICLE I. DEFINITIONS AND ACCOUNTING TERMS.....	1
SECTION 1.01. Certain Defined Terms.....	1
SECTION 1.02. Computation of Time Periods.....	9
SECTION 1.03. Accounting Terms.....	9
ARTICLE II. AMOUNTS AND TERMS OF THE ADVANCES.....	9
SECTION 2.01. The Loan.....	9
SECTION 2.02. Repayment.....	10
SECTION 2.03. Prepayments.....	10
SECTION 2.04. Interest.....	10
SECTION 2.05. Increased Costs.....	10
SECTION 2.06. Payments and Computations.....	10
SECTION 2.07. Taxes.....	12
SECTION 2.08. Payment of Certain Costs and Expenses.....	13
SECTION 2.09. Use of Proceeds.....	13
ARTICLE III. CONDITIONS OF LENDING.....	13
SECTION 3.01. Conditions Precedent to Funding Loan.....	13
ARTICLE IV. REPRESENTATIONS AND WARRANTIES.....	14
SECTION 4.01. Representations and Warranties of the Borrower.....	14
ARTICLE V. COVENANTS.....	17
SECTION 5.01. Affirmative Covenants of the Borrower.....	17
SECTION 5.02. Negative Covenants.....	20
SECTION 5.03. Reporting Requirements.....	23
SECTION 5.04. Covenants of the Lender.....	25
ARTICLE VI. SPECIAL PROVISIONS.....	26
SECTION 6.01. Condemnation and Casualty.....	26
SECTION 6.02. Payment of REIT Dividends.....	27
ARTICLE VII. EVENTS OF DEFAULT.....	27
SECTION 7.01. Events of Default.....	27
ARTICLE VIII. MISCELLANEOUS.....	29
SECTION 8.01. Amendments, Etc.....	29

SECTION 8.02.	Notices, Etc.....	29
SECTION 8.03.	No Waiver; Remedies.....	30
SECTION 8.04.	Costs, Expenses.....	30
SECTION 8.05.	Merger.....	32
SECTION 8.06.	Binding Effect.....	32
SECTION 8.07.	Lender's Discretion.....	32
SECTION 8.08.	Participations.....	32
SECTION 8.09.	Governing Law.....	33
SECTION 8.10.	Execution in Counterparts.....	33
SECTION 8.11.	Waiver of Jury Trial.....	33
SECTION 8.12.	Jurisdiction.....	33
SECTION 8.13.	Continuing Enforcement.....	33

Schedule I	-	Properties
Schedule II	-	Conflicts under Loan Documents
Schedule III	-	Required Authorizations
Schedule IV	-	Disclosed Litigation
Schedule V(a)	-	Environmental Non-Compliance
Schedule V(b)	-	Environmental Reports
Schedule VI	-	Defaults under Material Agreements
Schedule VII	-	Non-compliance with Laws
Exhibit A	-	Form of Note
Exhibit B-1	-	Form of Guaranty
Exhibit B-2	-	Form of Guaranty
Exhibit C	-	Form of Non-Disturbance Agreement
Exhibit D	-	Form of Mortgage
Exhibit E	-	Form of Assignment of Collateral Account and Security Agreement
Exhibit F	-	Form of Deposit Account Control Agreement
Exhibit G	-	Form of Pledge Agreement
Exhibit H	-	Form of Borrowing Request

AMENDED AND RESTATED CREDIT LINE AGREEMENT dated as of July 3, 2002 by and between Alexander's Inc., a Delaware corporation ("Alexander's" or the "Borrower"), as borrower, and Vornado Lending L.L.C., a New Jersey limited liability company (the "Lender"), as lender.

(1) WHEREAS, Borrower and Lender previously entered into that certain Credit Line Agreement, dated as of August 2, 2000 (the "ORIGINAL CREDIT AGREEMENT"), pursuant to which Lender offered a line of credit to Borrower in the aggregate principal amount of Fifty Million and 00/100 Dollars (\$50,000,000.00); and

(2) WHEREAS, Lender and Borrower desire to amend and restate the Original Credit Agreement in its entirety in accordance with the terms and provisions hereof.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

A. Effective as of the date hereof, the Original Credit Agreement is hereby restated and amended in its entirety as set forth below.

ARTICLE I.

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Credit Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"59th Street Property" means the Property designated on Schedule I to this Credit Agreement as the "59th Street Property."

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling," "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 20% or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Assignment of Collateral Account and Security Agreement" means the Assignment of Collateral Account and Security Agreement, substantially in the form of Exhibit E hereto.

"Borrower" has the meaning specified in the recital of parties to this Credit Agreement.

"Borrower Request" shall have the meaning set forth in Section 2.01.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday on which banks are not required or authorized to close in New York City.

"Capitalized Leases" has the meaning specified in clause (e) of the definition of Debt.

"Cash Collateral Account" has the meaning specified in Section 6.01.

"Cash Collateral Agreement" has the meaning specified in Section 6.01.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as the same may be amended from time to time.

"Closing Date" means July 3, 2002.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means all "Collateral" referred to in the Collateral Documents and all other property that is subject to any Lien in favor of the Lender.

"Collateral Documents" means collectively each Guaranty, Mortgage, Pledge Agreement, the Lockbox Documents and any documents given to secure the Loan.

"Confidential Information" means information that the Borrower furnishes to the Lender on a confidential basis, but does not include any such information that is or becomes generally available to the public other than as a result of a breach by the Lender of its obligations hereunder or that is or becomes available to the Lender from a source other than the Borrower that is not, to the best of the Lender's knowledge, acting in violation of a confidentiality agreement with the Borrower.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Construction Loan" shall have the meaning given to such term in Section 5.01(m) hereof.

"Debt" of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all Obligations of such Person for the deferred purchase price of property or services (other than trade payables not overdue by more than 60 days incurred in the ordinary course of such Person's business), (c) all Obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all Obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or

sale of such property), (e) all Obligations of such Person as lessee under leases that have been or should be, in accordance with GAAP, recorded as capital leases ("Capitalized Leases"), (f) all Obligations, contingent or otherwise, of such Person under acceptance, letter of credit or similar facilities, (g) all Debt of others referred to in clauses (a) through (f) above guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (i) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (ii) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss, (iii) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (iv) otherwise to assure a creditor against loss, and (h) all Debt referred to in clauses (a) through (f) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Default Rate" means 4% per annum above the rate per annum required to be paid on the Loan pursuant to Section 2.04(a).

"Deposit Account Control Agreement" means the Control Agreement for Notification and Acknowledgement of Security Interest in Deposit Accounts substantially in the form of Exhibit F hereto.

"Disbursement Date" shall have the meaning set forth in Section 2.01.

"Disclosed Litigation" means the matters described on Schedule IV hereto.

"Environmental Action" means any administrative, regulatory or judicial action, suit, demand, demand letter, claim, notice of non-compliance or violation, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law or any Environmental Permit including, without limitation, (a) any written claim by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any Environmental Law and (b) any written claim by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"Environmental Law" means any applicable federal, state or local law, rule, regulation, order, writ, judgment, injunction, decree, determination or award relating to the environment, health, safety or Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"Events of Default" has the meaning specified in Section 7.01.

"Existing Debt" means Debt of the Borrower outstanding immediately before the time of execution of this Credit Agreement.

"Flushing Property" means the ground leasehold estate on the Property designated on Schedule I to this Credit Agreement as the "Flushing Property."

"GAAP" has the meaning specified in Section 1.03.

"Guarantor" means each of Alexander's of Rego Park II, Inc., Alexander's of Rego Park III, Inc., Alexander's of Third Avenue, Inc., and Alexander's of Flushing, Inc. and subsequent assignees thereof and any other Person who shall execute a Guaranty after the date hereof.

"Guaranty" means the Guaranty substantially in the form of Exhibit B to this Credit Agreement, as amended from time to time, duly executed as of the Closing Date by each Guarantor.

"Hazardous Materials" means (a) petroleum or petroleum products, natural or synthetic gas, asbestos in any form that is friable, urea formaldehyde foam insulation and radon gas, (b) any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminants" or "pollutants," or words of similar import, under any Environmental Law and (c) any other substance exposure to which is regulated under any Environmental Law.

"Indemnified Party" has the meaning specified in Section 8.04(b).

"Interest Payment Date" has the meaning specified in Section 2.04(a).

"Interest Rate" means a rate equal to the one-year treasury bill rate (the "Base Rate") as of March 15, 2002 plus 9.48%, such rate to be reset quarterly (i.e., on June 15, September 15, December 15 and March 15) to equal the Base Rate as of the reset date plus 9.48%; provided, however, that if the one-year treasury bill rate as of any reset date is less than 3%, the Base Rate for purposes of such reset shall be 3%.

"Leasing Agreement" means (a) that certain 59th Street Real Estate Retention Agreement, dated the date hereof, among Vornado Realty Trust and the Borrower

as amended from time to time, and (b) that certain Real Estate Retention Agreement dated July, 1992 between Vornado, Inc., Alexander's, and certain other parties as amended by Amendment to Real Estate Retention Agreement dated as of the date hereof.

"Lender's Account" means an account of or specified by the Lender and, until the Lender shall notify the Borrower of a change in such account, shall mean the account of Vornado Lending L.L.C. maintained at Fleet Bank (Account No. 9403934589).

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property and any easement, right of way or other encumbrance on title to real property.

"Line of Credit" has the meaning specified in the Recitals.

"Loan" has the meaning specified in Section 2.01.

"Loan Documents" means this Credit Agreement, the Note, the Collateral Documents and the Guaranty and any other documents executed by any Loan Party in connection with the Loan.

"Loan Obligations" means all amounts due payable to the Lender under the Loan Documents.

"Loan Parties" means the Borrower, each Guarantor and each Mortgagor.

"Lockbox Documents" means collectively, that certain Assignment of Collateral Account and Security Agreement and that certain Deposit Account Control Agreement, each dated on or about the date hereof.

"Major Lease" means any lease at Property (i) for an entire free-standing building, including without limitation a building to be constructed, (ii) for over 10,000 rentable square feet, or (iii) with an anchor tenant.

"Management Agreement" means (a) that certain Management and Development Agreement, dated as the date hereof, between the Borrower and Vornado Management Corp., as amended from time to time and (b) that certain 59th Street Management and Development Agreement dated as of the date hereof between 731 Residential LLC, 731 Commercial LLC and Vornado Management Corp., as amended from time to time.

"Material Adverse Change" means any material adverse change in the business, financial condition, operations, performance or properties of the Borrower and the Loan Parties taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, financial condition, operations, performance or properties of the Borrower and the Loan Parties taken as a whole, (b) the rights and remedies of the Lender under any Loan Document or (c) the ability of any Loan Party to perform its Obligations under any Loan Document to which it is or is to be a party.

"Maturity Date" means the earlier of (i) January 3, 2006 and (ii) the date on which the Construction Loan is paid in full.

"Mortgage" or "Mortgages" means one or more mortgages, in substantially the form of Exhibit D to this Credit Agreement and covering all or any of the Properties, as the same may be amended from time to time, duly executed by the applicable Mortgagor in favor of Lender.

"Mortgagor" means the Alexander's of Rego Park II, Inc., Alexander's of Rego Park III, Inc., Alexander's of Third Avenue, Inc. or other mortgagor under a Mortgage, provided that any Mortgagor shall cease to be a Mortgagor upon the release or satisfaction of that Mortgagor's mortgage.

"Note" or "Notes" means, collectively, the promissory notes of the Borrower payable to the order of the Lender, in substantially the form of Exhibit A hereto, as amended from time to time, evidencing the indebtedness of the Borrower to the Lender resulting from the Loan made by the Lender.

"Obligation" means, with respect to any Person, any obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any proceeding referred to in Section 7.01(f). Without limiting the generality of the foregoing, the Obligations of the Loan Parties under the Loan Documents include (a) the obligation to pay principal, interest, charges, expenses, fees, reasonable attorneys' fees and disbursements, indemnities and other amounts payable by any Loan Party under any Loan Document and (b) the obligation to reimburse any amount in respect of any of the foregoing that the Lender, in accordance with the terms of the applicable Loan Document, may elect to pay or advance on behalf of such Loan Party.

"Other Taxes" has the meaning specified in Section 2.07(b).

"Other Vornado Loans" means, collectively (i) that certain loan in the principal amount of \$20,000,000 evidenced by a Credit Agreement dated as of even date herewith from Lender, as lender to Alexander's, as borrower; (ii) that certain loan in the principal amount of \$40,000,000 evidenced by an Amended and Restated Credit Agreement dated as of even date herewith from Lender, as lender, to 59th Street Corporation, as borrower; (iii) that certain loan in the principal amount of

\$35,000,000 evidenced by a Credit Agreement dated as of even date herewith, from Lender, as lender, to Alexander's, as borrower; and (iv) the Reimbursement Facility.

"Participant" has the meaning set forth in Section 8.08.

"Permitted Encumbrances" has the meaning specified in the Mortgages.

"Permitted Liens" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) Liens for taxes, assessments and governmental charges or levies not yet due and payable; (b) Permitted Encumbrances; (c) with respect to any real property acquired by Borrower or any Subsidiary or Affiliate of Borrower after the date hereof, liens to which such property is subject as of the date of such acquisition, purchase money mortgages or other similar purchase liens and liens in favor of lenders providing construction or development financing in connection with such property provided, that all proceeds of such financings are used for construction or development of such property or the retirement of Existing Debt secured by one or more liens on such property; (d) Liens permitted to be incurred by Borrower pursuant to the terms of this Credit Agreement; (e) Liens in connection with taxes being contested in good faith in compliance with this Credit Agreement; (f) Liens securing the Construction Loan; and (g) any renewal or replacement of any Lien permitted pursuant to the foregoing clauses (a) through (g), inclusive, provided that any such renewal or replacement Lien secures Debt in an amount not in excess of the Debt secured by the Lien so renewed or replaced, provided, however, that notwithstanding the foregoing, the Lender shall not be required to subordinate to any Lien pursuant to this clause except as otherwise provided in this Credit Agreement.

"Permitted Related Owner" means any of (a) any Subsidiary now existing or hereafter created all shares of issued and outstanding capital stock of which are owned by the Borrower, (b) a corporation (x) 90% or more of the economic interests of which shall be held by the Borrower through the ownership of shares of preferred and/or common stock of such corporation and (y) 10% or less of the economic interests of which shall be held by an entity reasonably satisfactory to the Lender through the ownership of shares of common and/or preferred stock of such corporation; provided that such Subsidiary or corporation enters into a guaranty substantially in the form of the Guaranty pursuant to which it guarantees the obligations of the Borrower under the Notes, or (c) 731 Commercial LLC, 731 Residential LLC, 731 Commercial Holding LLC and 731 Residential Holding LLC. The conditions regarding share ownership set forth in clauses (x) and (y) above may be varied to the extent necessary for any income received by the Borrower to be described in Section 856(c)(2) of the Code or for the Borrower to continue to qualify as a REIT.

"Person" means an individual, partnership, limited liability company, corporation (including a business trust), joint stock company, trust, unincorporated

association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Pledge Agreement" means that certain Pledge Agreement substantially in the form of Exhibit G hereto.

"Prepayment Date" has the meaning specified in Section 2.03.

"Properties" means the properties listed on Schedule I to this Credit Agreement and any real property acquired by the Borrower or any Mortgagor after the Closing Date.

"Rego Park II Property" means the Property designated on Schedule I to this Credit Agreement as the "Rego Park II Property".

"Rego Park III Property" means the Property designated on Schedule I to this Credit Agreement as the "Rego Park III Property".

"Reimbursement Facility" means the credit facility evidenced by the Reimbursement Agreement, dated the date hereof, by and among Alexander's, Inc., 731 Commercial LLC and 731 Residential LLC, as Obligors, and Vornado Realty, L.P.

"REIT" means an entity described in Section 856(a) of the Code and entitled to the benefits of Section 857(a) of the Code.

"Secured Debt" means any Debt of the Borrower incurred after the Closing Date that is secured by any of the Properties and/or the Collateral and that otherwise contains terms and conditions satisfactory to the Lender.

"Subordinate Debt" means any Debt of the Borrower that is subordinated to the Loan Obligations under the Loan Documents on, and that otherwise contains, terms and conditions satisfactory to the Lender.

"Subsidiary" means, with respect to the Borrower, (i) in any corporation of which more than 50% of the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned or controlled by the Borrower, by the Borrower and one or more of its other Subsidiaries or by one or more of the Borrower's other Subsidiaries and (ii) 731 Commercial LLC, 731 Residential LLC, 731 Commercial Holding LLC and 731 Residential Holding LLC

"Taxes" has the meaning specified in Section 2.07(a).

"Third Avenue Property" means the Property designated in Schedule I to this Credit Agreement as the "Third Avenue Property".

"Unused Line Fee" has the meaning specified in Section 2.11.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

SECTION 1.02. Computation of Time Periods. In this Credit Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.01(f) ("GAAP").

ARTICLE II.

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Loan. The Lender agrees, on the terms and conditions hereinafter set forth, to make advances, upon the request of the Borrower, on or after the Closing Date, with the aggregate amount of such advances, regardless of any repayment or prepayment thereof, being no more than Fifty Million and 00/100 Dollars (\$50,000,000.00) (such sum being the Line of Credit and each advance thereunder being referred to both individually and collectively as the "Loan"). Amounts borrowed under this Section 2.01 shall be debited from the Line of Credit in determining the credit available for any further Loans, and amounts repaid or prepaid may not reborrowed. Borrower shall provide Lender with a borrowing request substantially in the form attached hereto as Exhibit H (a "Borrowing Request") not later than 11:00 a.m., New York time, on the requested date of advance of each Loan (each date of each advance, a "Disbursement Date"), specifying (i) the aggregate principal amount of such Loan; and (ii) the proposed Disbursement Date of such Loan, which shall be a Business Day. If the Lender agrees to make a requested Loan, bearing interest at the rate determined in accordance with Section 2.04, then on the Disbursement Date of a Loan, the Lender shall make such Loan to the Borrower by crediting the principal amount thereof to the Borrower's account at First Union National Bank 002030267849959 (or to such account as the Borrower may specify in its Borrowing Request), in immediately available funds. The principal amount shall be noted in the transaction records of the Lender and, absent manifest error, such records shall be conclusive as to the matters noted. Notwithstanding the foregoing, Lender's failure to note the principal amount of the Loan shall not affect the Borrower's obligations under the Loan Documents. Lender and Borrower acknowledge that as of the date hereof, \$24,000,000.00 of the Loan has been advanced and remains outstanding.

SECTION 2.02. Repayment. The Borrower shall repay to the Lender the aggregate principal amount of the Loan and all other Loan Obligations on the Maturity Date or on such earlier date as the Loan Obligations become due as provided in the Loan Documents.

SECTION 2.03. Prepayments. The Borrower may, upon at least two (2) days' notice to the Lender prepay all or any portion of the outstanding principal amount of the Loan, together with (i) accrued interest to the date of such prepayment on the principal amount prepaid and (ii) if the entire outstanding principal amount of the Loan is repaid, all other accrued and unpaid amounts due hereunder or under any other Loan Document.

SECTION 2.04. Interest. (a) Ordinary Interest. The Borrower shall pay interest on the unpaid principal amount of the Loan owing to the Lender from the Closing Date, until such principal amount shall be paid in full, payable in arrears on the fifteenth day of each month (each an "Interest Payment Date") at a rate per annum equal to the Interest Rate, but in no event shall the Loan be repaid later than the Maturity Date.

(b) Default Interest. From and after the Maturity Date and upon the occurrence and during the continuance of an Event of Default specified in Section 7.01 of this Credit Agreement, the Borrower shall pay interest on (i) the unpaid principal amount of the Loan and (ii) the amount of any interest, fee or other amount due and payable hereunder which is not paid when due, from the date such amount shall be due until such amount shall be paid in full, in either clause (i) or (ii) payable immediately on the Maturity Date or on demand after such occurrence and during such continuance, at a rate per annum equal at all times to the Default Rate.

(c) Late Charges. In the event any payment of principal or any interest is not made within five (5) days after the date on which such amount first becomes due and payable, the Lender may, at its option, require the Borrower to make an additional payment to the Lender as a late charge in an amount equal to 5% of such overdue amount.

SECTION 2.05. Increased Costs. If, with respect to any assignee of the Lender or a Participant that is a bank (a "Bank Lender"), due to either (i) the introduction of or any change in or in the interpretation of any law or regulation (other than a law or regulation relating to taxes) or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the amount of capital required by such Bank Lender or authority to be maintained by such Bank Lender or any corporation controlling Bank Lender as a result of or based upon the existence of Bank Lender's commitment to lend hereunder then, upon demand by Bank Lender, the Borrower shall pay to Bank Lender, from time to time as reasonably specified by Bank Lender, additional amounts sufficient to compensate Bank Lender in the light of such circumstances, to the extent that Bank Lender reasonably determines such increase in capital to be allocable to the existence of the Loan.

SECTION 2.06. Payments and Computations. (a) The Borrower shall make each payment required to be made hereunder and under the Notes not later than 11:00 A.M., New York City time, on the day when due in U.S. dollars to the Lender at the Lender's Account in immediately available (same day) funds.

(b) All computations of interest and fees shall be made by the Lender on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Lender of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest.

(d) The Borrower covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury or similar law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Credit Agreement, the Notes or the other Loan Documents; and the Borrower (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Lender, but will suffer and permit the execution of every such power as though no such law had been enacted. It is the intent of the Lender and the Borrower in the execution of the Notes, this Credit Agreement and all other instruments now or hereafter securing the Notes or executed in connection therewith or under any other written or oral agreement by the Borrower in favor of the Lender to contract in strict compliance with applicable usury law. In furtherance thereof, the Lender and the Borrower stipulate and agree that none of the terms and provisions contained in the Notes, this Credit Agreement or any other instrument securing the Notes or executed in connection herewith, or in any other written or oral agreement by the Borrower in favor of the Lender, shall ever be construed to create a contract to pay for the use, forbearance or detention of money, interest at a rate in excess of the maximum interest rate permitted to be charged by applicable law. Neither the Borrower nor any guarantors, endorsers or other parties now or hereafter becoming liable for payment of the Notes shall ever be required to pay interest on the Notes or on indebtedness arising under any instrument securing the Notes or executed in connection therewith, or in any other written or oral agreement by the Borrower in favor of the Lender, at a rate in excess of the maximum interest that may be lawfully charged under applicable law, and the provisions of this Section 2.06(d) shall control over all other provisions of the Notes, this Credit Agreement and any other instruments now or hereafter securing the Notes or executed in connection herewith or any other oral or written agreements that may be in apparent conflict herewith. The Lender expressly disavows any intention to charge or collect excessive unearned interest or finance charges in the event the maturity of the Notes is accelerated. If the maturity of the Notes shall be accelerated for any reason or if the principal of the Notes is paid prior to the end of the term of the Notes, and as a result thereof the interest received for the actual period of existence of the Loan exceeds the applicable maximum lawful rate, the Lender shall, at its option, either refund to the Borrower the amount of such excess or credit the amount of such excess against the principal balance of the Notes then outstanding and thereby shall render inapplicable any and all penalties of any kind provided by applicable law as a result of such excess interest. In the event that the Lender shall collect monies and/or any other thing of value that are then or at any time deemed to constitute interest that would increase the effective interest rate on the Notes to a rate in excess of that permitted to be charged by applicable law, an amount equal to interest in excess of the

lawful rate shall, upon such determination, at the option of the Lender, be either immediately returned to the Borrower or credited against the principal balance of the Notes then outstanding, in which event any and all penalties of any kind under applicable law as a result of such excess interest shall be inapplicable. By execution of this Credit Agreement, the Borrower acknowledges that it believes the Loan to be non-usurious and agrees that if, at any time, the Borrower should have reason to believe, that the Loan is in fact usurious, it will give the Lender notice of such condition and the Borrower agrees that the Lender shall have ninety (90) days after receipt of such notice in which to make appropriate refund or other adjustment in order to correct such condition if in fact such exists.

SECTION 2.07. Taxes. (a) Any and all payments by the Borrower hereunder or under the Notes shall be made, in accordance with this Section 2.07, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings other than (i) net income taxes, franchise taxes and similar taxes imposed on the Lender or a Participant, (ii) any tax, assessment or other governmental charge that would not have been imposed but for the failure of the Lender or a purchaser of all or a portion of the Lender's or a Participant's rights and obligations under this Credit Agreement to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the Lender or a Participant, if compliance is required by statute or by regulation of the United States Treasury Department as a precondition to exemption from such tax, assessment or other governmental charge, (iii) any tax, assessment or other governmental charge that would not have been imposed but for either (a) a sale or other transfer of all or a portion of the Lender's or a Participant's rights and obligations under this Credit Agreement to a Person that is not an entity that is treated as a corporation organized or created under the laws of the United States or of any State for U.S. federal tax purposes or (b) Lender's merger or consolidation with, or transfer of substantially all of its assets to, another entity, and (iv) any tax, assessment or other governmental charge that would not have been imposed but for any present or former connection between the Lender or a Participant (or a shareholder of the Lender or a Participant) and the jurisdiction imposing such tax, assessment or other governmental charge, including, without limitation, the Lender or a Participant's being or having been a citizen or resident of, present or engaged in a trade or business in, such jurisdiction, but excluding a connection arising solely as a result of the Lender's having entered into, received payments under and enforced this Credit Agreement (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under the Notes to the Lender, (i) the sum payable shall be increased as may be necessary so that after making all required deductions for Taxes (including deductions ("Additional Taxes") applicable to additional sums payable pursuant to this sentence), the Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any present or future stamp, documentary, excise, property or similar taxes, charges or levies that arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, or otherwise with respect to, this Credit Agreement or the Notes (hereinafter referred to as "Other Taxes").

(c) The Borrower shall indemnify the Lender for the full amount of Taxes, and Other Taxes, paid by the Lender and any liability (including penalties, additions to tax, Additional Taxes, interest and expenses) arising therefrom or with respect thereto except as may arise as a result of the Lender's gross negligence or willful misconduct.

(d) Within 30 days after the date of any payment of Taxes, the Borrower shall furnish to the Lender, at its address referred to in Section 8.02, the original receipt of payment thereof or a certified copy of such receipt.

(e) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.07 shall survive the payment in full of principal and interest hereunder and under the Note.

SECTION 2.08. Payment of Certain Costs and Expenses. The Borrower shall pay to the Lender within five (5) days after demand therefor all reasonable costs and expenses (including reasonable attorneys' fees and disbursements) incurred by the Lender in connection with (i) the approval of any lease, (ii) the preparation, negotiation and execution of any non-disturbance agreement requested for any lease, (iii) review and approval of any plans, construction contracts or any other documents relating to construction or development of a Property; and (iv) the assignment of any liens of the Mortgages pursuant to Section 7.08.

SECTION 2.09. Use of Proceeds. The proceeds of the Loan shall be available (and the Borrower agrees that it shall use such proceeds) only to provide working capital for the Borrower and its Subsidiaries.

SECTION 2.10. Unused Line of Credit Facility Fee. In the event that the average daily principal amount of the Loans outstanding under the Line of Credit during any calendar month, or part thereof, is less than the maximum amount which may be borrowed under the Line of Credit (the "Maximum Loan Amount"), Borrower shall pay Lender an unused line of credit fee (the "Unused Line Fee") on the shortfall at a rate equal to one percent (1%) per annum. The Unused Line Fee shall be calculated as of the last day of each calendar month for the shortfall in average daily usage during said calendar month and shall be 1/12th of what the annual fee would be if the shortfall existed for an entire year. On or around March 1st of each year, Lender shall bill Borrower for the aggregate Unused Line Fees, if any, then due, for the preceding 12 month period and Borrower shall pay such Unused Line Fees within 10 days after the receipt of such bill.

ARTICLE III.

CONDITIONS OF LENDING

SECTION 3.01. Conditions Precedent to Funding Loan. The Loan shall be advanced by the Lender on or about the date hereof, or such later date as the Borrower and the Lender may otherwise agree, provided that the following conditions shall be conditions precedent to the obligations of the Lender hereunder to make the Loan:

(1) the representations and warranties of the Borrower contained herein shall be true and correct as of the Closing Date as if made on such date;

(2) all costs and fees of the Lender (including attorney's fees and expenses) in connection with the Loan shall have been paid; and

(3) no Default or Event of Default remains uncured or outstanding.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) Each Loan Party that is a corporation (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of its incorporation, (ii) is duly qualified and in good standing as a foreign corporation in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed is not reasonably likely to have a Material Adverse Effect and (iii) has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

(b) Each Loan Party that is a partnership or a limited liability company (i) is a partnership or a limited liability company duly formed and validly existing under the laws of the State of its formation, (ii) is duly qualified in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed is not reasonably likely to have a Material Adverse Effect and (iii) has all requisite partnership or a limited liability company power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

(c) The execution, delivery and performance by each Loan Party of this Credit Agreement, the Notes, each other Loan Document and each related document to which it is or is to be a party, and the consummation of the transactions contemplated herein and therein, are within such Loan Party's corporate, partnership or limited liability company powers, have been duly authorized by all necessary corporate, partnership or limited liability company action, and, to each such Loan Party's knowledge, do not (i) contravene such Loan Party's organizational documents, (ii) violate any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award, except where such violation is not reasonably likely to have a Material Adverse Effect except as set forth on Schedule II hereof, (iii) except as set forth on Schedule II hereof, conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting any Loan Party, any of its Subsidiaries or any of their properties, except where such conflict, breach or default is not reasonably likely to have a Material Adverse Effect or (iv) except for the Liens created by the Collateral Documents result in or require the creation or imposition of any Lien upon or with respect to any of the properties of any Loan Party or any of its Subsidiaries.

(d) Other than as set forth on Schedule III hereof, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or

any other third party is required for (i) the due execution, delivery, recordation, filing or performance by any Loan Party of this Credit Agreement, the Notes, any other Loan Document or any related document to which it is or is to be a party, or for the consummation of the transactions contemplated hereby, (ii) the grant by any Loan Party of the Liens granted by it pursuant to the Collateral Documents, (iii) the perfection or maintenance of the Liens created by the Collateral Documents or (iv) the exercise by the Lender of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Collateral Documents.

(e) This Credit Agreement has been, and the Notes, each other Loan Document and each related document when delivered hereunder will have been, duly executed and delivered by each Loan Party thereto. This Credit Agreement is, and the Notes, each other Loan Document and each related document when delivered hereunder will be, the legal, valid and binding obligation of each Loan Party thereto, enforceable against such Loan Party in accordance with its terms.

(f) The Consolidated balance sheet of the Borrower and its Subsidiaries as of March 31, 2002, and the related Consolidated statement of income and cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, and the Consolidated balance sheet of the Borrower and its Subsidiaries as at March 31, 2002, and the related Consolidated statement of income and cash flows of the Borrower and its Subsidiaries for the nine months then ended, duly certified by the Chairman of the Board of Borrower or any other officer of Borrower, copies of which have been furnished to the Lender, fairly present, subject, in the case of said balance sheet as at March 31, 2002, and said statement of income and cash flows for the nine months then ended, to year-end audit adjustments, the Consolidated financial condition of the Borrower and its Subsidiaries as at such dates and the Consolidated results of the operations of the Borrower and its Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles applied on a consistent basis. Since March 31, 2002, there has been no Material Adverse Change.

(g) All financial statements delivered by any Loan Party to the Lender, are true, correct and complete in all material respects, fairly represent such Loan Party's financial condition as of the date hereof and thereof, and no information has been omitted that would make the information previously furnished misleading or incorrect in any material respect.

(h) To such Loan Party's knowledge, there is no action, suit, investigation, litigation or proceeding affecting any Loan Party not covered by insurance (subject to reasonable deductibles), including any Environmental Action, pending before any court, governmental agency or arbitrator that (i) would be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation) or (ii) purports to affect the legality, validity or enforceability of this Credit Agreement, the Notes, any other Loan Document or the consummation of the transactions contemplated hereby, and there has been no adverse change in the status or financial effect on any Loan Party of the Disclosed Litigation from that described on Schedule IV hereof.

(i) Except as set forth on Schedule V(a) hereof to such Loan Party's knowledge, the operations and properties of each Loan Party and each of its Subsidiaries comply in all material respects with all Environmental Laws, all necessary Environmental Permits have been obtained and are in effect for the operations and properties of each Loan Party and its Subsidiaries, each

Loan Party and its Subsidiaries are in compliance in all material respects with all such Environmental Permits, and, no circumstances exist that would be reasonably likely to (i) form the basis of an Environmental Action against any Loan Party or any of its Subsidiaries or any properties described in the Mortgages or the 59th Street Property that could have a Material Adverse Effect or (ii) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

(j) Except as set forth in the environmental reports heretofore delivered to the Lender as set forth on Schedule V(b) hereof, none of the operations and properties of each Loan Party is listed or, to the knowledge of any Loan Party, proposed for listing on the National Priorities List under CERCLA or on the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the Environmental Protection Agency or any analogous state list of sites requiring investigation or cleanup or is adjacent to any such property. Except as would not have a Material Adverse Effect, no underground storage tanks, as such term is defined in 42 U.S.C. Section 6991, are located on any property in violation of applicable Environmental Laws. Except as set forth on the environmental reports heretofore provided to the Lender, the Borrower has no knowledge of any underground storage tank located on any Property adjoining any Property.

(k) Each Loan Party and each of its Subsidiaries has filed or has caused to be filed all income tax returns (Federal, state and local) required to be filed and has paid all taxes shown thereon to be due, together with applicable interest and penalties. The Borrower is not aware of any material unasserted claims for prior taxes against it for which adequate reserves satisfactory to the Lender have not been established.

(l) Each Mortgagor, and each of 731 Commercial LLC and 731 Residential LLC has good, marketable and insurable fee simple title to the real property described in the Mortgage executed and delivered by such Mortgagor and 59th Street Property, as applicable, free and clear of all Liens, other than those disclosed on such Schedule and Liens created or permitted by the Loan Documents.

(m) Except as set forth on Schedule VI hereof, no Loan Party is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained herein or in any material agreement or instrument to which it is a party or by which it or any of its properties is bound.

(n) As of the date hereof, there has been no Material Adverse Change since the date of the most recent financial statements provided by the Borrower or such Loan Party to the Lender.

(o) No Loan Document or other document, certificate or statement furnished to the Lender by or on behalf of the Borrower or any other Loan Party contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. It is specifically understood by the Borrower that all such statements, representations and warranties shall be deemed to have been relied upon by the Lender as an inducement to make the Loan to the Borrower.

ARTICLE V.

COVENANTS

SECTION 5.01. Affirmative Covenants of the Borrower. So long as any portion of the Loan shall remain unpaid, the Borrower will, unless the Lender shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply, and cause each Mortgagor, 731 Commercial LLC and 731 Residential LLC, to comply, in all respects, with all applicable laws, rules, regulations and orders, except as set forth on Schedule VII hereof, or except where such non-compliance is not likely to have a Material Adverse Effect; and keep, and cause each Mortgagor, 731 Commercial LLC and 731 Residential LLC to keep, at all times in full force and effect all authorizations required for the continued use and operation of the properties of the Borrower and of each Mortgagor, 731 Commercial LLC and 731 Residential LLC, except as set forth on such Schedule.

(b) Payment of Taxes, Etc. Prepare and timely file all federal, state and local tax returns required to be filed by the Borrower and promptly pay and discharge all taxes, assessments and other governmental charges, imposed upon the Borrower or its income or any of its property, and cause each Subsidiary to do so, with respect to real estate taxes, before interest and penalties commence to accrue thereon and, with respect to all other taxes, before they become a Lien upon such property, except for those taxes, assessments and other governmental charges then being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary has maintained adequate reserves and with respect to which (i) there is a not a reasonable likelihood, in the judgment of the Lender, that the Borrower or the Lender shall be subject to any risk of criminal or material civil liability and (ii) there is not a reasonable likelihood, in the judgment of the Lender, that the Borrower's or any of its Subsidiaries' properties or the lien of the Mortgages shall be subject to the risk, respectively, of forfeiture or impairment, provided, however, that all real estate taxes must be paid when due. The Borrower shall submit to the Lender, upon request, an affidavit signed by the Borrower certifying that all federal, state and local income tax returns have been filed to date and all real property taxes, assessments and other governmental charges with respect to the Borrower's or any Subsidiary's properties have been paid to date.

(c) Compliance with Environmental Laws. Except as set forth on Schedule V(a) hereof, comply, and cause each of its Subsidiaries and all lessees and other Persons occupying its properties to comply, in all material respects, with all Environmental Laws and Environmental Permits applicable to its operations and properties, except where the non-compliance with such laws or the absence or non-renewal of such permits is not likely to have a Material Adverse Effect; obtain and renew all Environmental Permits necessary for its operations and properties, except where such non-compliance is not likely to have a Material Adverse Effect; and to the extent and in the timeframe required by applicable Environmental Law conduct, and cause each of its Subsidiaries to conduct, any investigation, study, sampling and testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Materials from any of its properties, in accordance with the requirements of all Environmental Laws; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required

to undertake any such cleanup, removal, remedial or other action to the extent that its obligation to do so is being contested in good faith and by proper proceedings and with respect to which (i) there is no reasonable likelihood of any risk of criminal or material civil liability to the Lender, (ii) there is no reasonable likelihood that the Borrower's or any of its Subsidiaries' properties or the lien of the Mortgages shall be subject to the risk, respectively, of forfeiture or impairment and (iii) appropriate reserves are being maintained with respect to such circumstances.

(d) Maintenance of Insurance. Maintain and cause each Mortgagor, 731 Commercial LLC and 731 Residential LLC, to maintain, insurance with responsible and reputable insurance companies or associations in such amounts (subject to reasonable deductibles) and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates and as otherwise required by the Mortgages, provided, however, that Borrower shall cause the Mortgagors to maintain the insurance required by the Mortgages and shall cause 731 Commercial LLC and 731 Residential LLC to maintain the insurance required by the Loan Agreements.

(e) Preservation of Corporate, Partnership or Limited Liability Company Existence, Etc. Preserve and maintain, in full force and effect, and cause each Mortgagor and each other Subsidiary, where applicable, to preserve and maintain its corporate, partnership or limited liability company existence, rights (charter and statutory) and franchises and all authorizations and rights material to its business; provided, however, that neither the Borrower nor any Mortgagor or other Subsidiary shall be required to preserve any right or franchise if the Board of Directors or general partners of the Borrower or such Mortgagor or other Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Borrower or such or other Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to the Borrower, such Mortgagor or other Subsidiary or the Lender.

(f) Inspection Rights. At any reasonable time and from time to time, in each case upon reasonable prior notice, and at such times as shall not unreasonably disrupt tenants, permit the Lender or any agents or representatives thereof, to examine, audit and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and the Mortgagor, or other Subsidiary, and to discuss the affairs, finances and accounts of, the Borrower and any Mortgagor, or other Subsidiary, with any of their officers or directors and with their independent certified public accountants.

(g) Keeping of Books. Keep, and cause each Mortgagor and other Subsidiary to keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in accordance with generally accepted accounting principles in effect from time to time consistently applied.

(h) Compliance with Terms of Lease Agreements. Perform, and cause each Subsidiary to perform, timely all of the obligations, covenants and agreements of the landlord contained in any lease now or hereafter affecting any of the Properties and require the timely

performance by the tenant of all of the obligations, covenants and agreements to be performed by such tenant.

(i) Approval of Leases. The Borrower shall not, and shall cause each Mortgagor and other Subsidiary not to, lease space at any of the Properties without the Lender's consent, which consent shall not unreasonably be withheld, provided, however, that no such consent of Lender shall be required for any lease of 10,000 square feet or less unless (i) such lease requires the Lender to provide a non-disturbance agreement to the lessee or (ii) such lease is not on commercially reasonable terms. It is hereby expressly acknowledged and agreed by the Lender that all leases at any Property identified on the certified rent roll delivered to the Lender prior to the date hereof are and shall be deemed to be approved.

(j) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under the Loan Documents with any of their Affiliates or any Permitted Related Owners on terms that are fair and reasonable and no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate. Transactions with the Lender, Vornado Realty Trust and any of its Affiliates pursuant to agreements existing as of the date hereof among Borrower or its Subsidiaries and Vornado Realty Trust and its Affiliates are approved.

(k) Maintenance of Properties. Maintain or cause to be maintained the Properties and all other items constituting Collateral.

(l) Compliance with Loan Documents. Comply and cause each Loan Party to comply with all of its covenants set forth in each of the Loan Documents.

(m) After Acquired Properties. Subject to the requirements of (i) liens existing at the time of acquisition, (ii) purchase money mortgage liens and (iii) liens in connection with construction or development financing which construction or development financing is reasonably acceptable to the Lender, grant to the Lender a valid mortgage lien on, or spread the lien of a Mortgage to encumber, any real property acquired by Borrower or any Subsidiary after the date hereof. Reference is made to that certain Building Loan Agreement, dated as of July 3, 2002 (the "Building Loan Agreement"), by and among 731 Commercial LLC and 731 Residential LLC and Bayerische Hypo-und Vereinsbank, AG (the "Bank"), that certain Project Loan Agreement, dated as of July 3, 2002 (the "Project Loan Agreement"), and that certain Supplemental Loan Agreement, dated as of July 3, 2002 (the "Supplemental Loan Agreement" and together with the Building Loan Agreement and the Project Loan Agreement, the "Loan Agreements") pursuant to which the Bank will lend to 731 Commercial LLC and 731 Residential LLC a maximum of \$_____ million (the "Construction Loan") for the purposes of funding the cost of constructing a ___ square foot mixed residential/office/retail building at the property known as 731 Lexington Avenue, New York, New York (the "Project"). It is understood and agreed that so long as the Construction Loan (and any refinancing thereof that has been approved by Lender and that does not permit a mortgage in favor of Lender to be granted with respect to the 59th Street Property) shall remain outstanding, no such mortgage shall be required with respect to the 59th Street Property.

(n) Trust Fund. In compliance with Section 13 and Article 3-A of the Lien Law of the State of New York, receive all proceeds of the Loan and hold the right to receive all such proceeds as a trust fund to be used first for the purpose of paying the cost of improvement, and apply all such proceeds first to the payment of the cost of improvement before using any part of such proceeds for any other purpose.

(o) Flushing Property. To keep at all times the ground lease covering the Flushing Property in full force and effect.

(p) Compliance with Terms of Loan Agreements and Other Contracts. Cause 731 Commercial LLC and 731 Residential LLC, as applicable, to timely perform all of the obligations, covenants and agreements of (i) the borrower in the Loan Agreements and the other Loan Documents (as such term is defined in the Loan Agreements), (ii) the owner under the Architect's Contract, the Construction Management Agreement and the Major Trade Contracts (as those terms are defined in the Loan Agreements) and (iii) the landlord under the Bloomberg Lease (as such term is defined in the Loan Agreements).

For purposes of this Section 5.01, the term "cause 731 Commercial LLC and/or 731 Residential LLC" (or any variation of such term) and the term "cause any Subsidiary" (or any variation of such term, but only as it relates to 731 Commercial LLC and/or 731 Residential LLC) shall mean for Borrower to take action in its capacity as the sole member of 731 Commercial Holdings LLC and the sole regular member of 731 Residential Holdings LLC, as the case may be, which entities are the sole members of 731 Commercial LLC and 731 Residential LLC, respectively.

SECTION 5.02. Negative Covenants. So long as any portion of the Loan Obligations shall remain unpaid, the Borrower (in its capacity as the sole member of 731 Commercial Holding LLC and the sole regular member of 731 Residential Holding LLC, which entities are the sole members of 731 Commercial LLC and 731 Residential LLC) will not, or permit any other Loan Party or Subsidiary that is the direct or indirect owner of a Property to, at any time, without the written consent of the Lender:

(a) Liens, Etc. Create, incur, assume or suffer to exist, or permit any Loan Party or Subsidiary to create, incur, assume or suffer to exist, any Lien on or with respect to any of its properties of any character (including, without limitation, accounts) whether now owned or hereafter acquired, or sign or file, or permit any Loan Party or Subsidiary to sign or file, under the Uniform Commercial Code of any jurisdiction, a financing statement that names the Borrower or any Mortgagor or any Subsidiary as debtor, or sign, or permit any Loan Party or Subsidiary to sign, any security agreement authorizing any secured party thereunder to file such financing statement, or assign or permit any Mortgagor or Subsidiary to assign, any accounts or other right to receive income, excluding, however, from the operation of the foregoing restrictions the following:

(i) Liens created by the Loan Documents or the Other Vornado Loan Documents;

(ii) Permitted Liens;

(iii) Liens otherwise consented to by the Lender in

writing; and

(iv) Liens created by the Loan Agreements or the other documents entered into in connection with the Loan Agreements (and any refinancings of the Construction Loan approved by Lender or any workouts or additional financings by the holders of the Construction Loan to 731 Residential LLC and/or 731 Commercial LLC).

(b) Debt. Create, incur, assume or suffer to exist, or permit any Mortgagor or Subsidiary to create, incur, assume or suffer to exist, any Debt other than:

(i) Debt under the Loan Documents, or the Other Vornado Loan Documents;

(ii) Subordinate Debt or subordinated indebtedness approved by the Lender;

(iii) Debt secured by Permitted Liens; and

(iv) The Construction Loan and any other Debt incurred pursuant to the Loan Agreements (and any refinancings of the Construction Loan approved by Lender or any workouts or additional financings by the holders of the Construction Loan to 731 Residential LLC and/or 731 Commercial LLC).

(c) Mergers, Etc. Merge into or consolidate with any Person or permit any Person to merge into it, or permit any Loan Party or Subsidiary to do so, except that (i) any Loan Party may merge into or consolidate with any other Loan Party; provided that, in the case of any such consolidation, the Person formed by such consolidation shall be a wholly owned Subsidiary of the Borrower; provided further, that the Borrower shall pledge and grant to Lender a first priority perfected lien in and security interest on the capital stock or other equity interests of such Subsidiary owned by the Borrower to the Lender as further collateral for the Loan Obligations, and (ii) any Subsidiary or Permitted Related Owner that is not a Loan Party may merge into or consolidate with any Subsidiary or Permitted Related Owner which is not a Loan Party.

(d) Investments in Other Persons. Purchase or acquire the obligations or stock of, or any other interest in, any Person (other than a Permitted Related Owner), except such investments as are made with surplus cash and do not expose the Borrower to any risk of loss in excess of the amount of cash invested.

(e) Loans, etc. Make, or permit any Mortgagor or Subsidiary to make, loans to any Person, other than to the Borrower, a wholly owned Subsidiary or a Permitted Related Owner.

(f) Dividends, Etc. Declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its capital stock or any warrants, rights or options to acquire such capital stock, now or hereafter outstanding (except that Permitted Related Owners may pay dividends to the Borrower) return any capital to its stockholders as such, make any distribution of assets, capital stock, warrants, rights, options, obligations or securities to its stockholders as such or issue or sell any capital stock or any warrants, rights or options to acquire such capital stock (except for capital stock issued by Permitted Related Owners), or permit any of its

Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any capital stock of the Borrower or any warrants, rights or options to acquire such capital stock or to issue or sell any capital stock or any warrants, rights or options to acquire such capital stock; provided, however, that nothing contained in this Section shall prohibit Borrower from (i) paying a dividend or making a distribution in the form of, or from the proceeds of an issuance of, subordinated indebtedness or otherwise (including, without limitation, payment in cash) as may reasonably be required, based upon the advice of counsel, to enable the Borrower to qualify as a REIT under the Code or (ii) paying a dividend or making a distribution from the proceeds of the issuance by the Borrower of equity securities.

(g) Change in Nature of Business. Make, or permit any Mortgagor to make, any material change in the nature of its business as carried on at the date hereof and will not, nor permit any Mortgagor or Subsidiary to, remove, demolish, materially alter, discontinue the use of, sell, transfer, assign, hypothecate, pledge or otherwise dispose of, except as permitted hereunder and for sales, transfers, assignments and pledges to Subsidiaries or Permitted Related Owners, any part of its assets necessary for the continuance of its business, as presently conducted and as presently contemplated, except in the normal course of business. Notwithstanding the foregoing, no Mortgagor or Subsidiary shall transfer any Property except to a Permitted Related Owner.

(h) Charter Amendments. Amend, or permit any Mortgagor or Subsidiary to amend, its certificate of incorporation or bylaws, partnership agreement, certificate of limited partnership, operating agreement or certificate of limited liability company.

(i) Accounting Changes. Make, or permit any Mortgagor to make or permit, any change in accounting policies or reporting practices, except as required by generally accepted accounting principles.

(j) Amendment, Etc. of Related Documents. Except as may be required in order for the Borrower to qualify as a REIT under the Code, with respect to (i) the Management Agreement, (ii) the Leasing Agreement, (iii) Major Leases, (iv) the Architect's Contract (as defined in the Loan Agreements to be executed in connection with the Construction Loan), (v) the Bloomberg Lease (as defined in the Loan Agreements), (vi) the Construction Management Agreement (as defined in the Loan Agreements), (vii) the Loan Agreements and other Loan Documents and (ix) the Major Trade Contracts (as defined in the Loan Agreements), cancel or terminate or consent to or accept any cancellation or termination thereof, amend, modify or change in any material manner any term or condition thereof, waive any material default under or any material breach of any material term or condition thereof, agree in any manner to any other amendment, modification or change of any material term or condition thereof or take any other action in connection therewith that would impair the value of the interest or rights of the Borrower or other Subsidiary thereunder or that would impair the rights or interests of the Lender, or permit any Mortgagor or other Subsidiary to do any of the foregoing.

(k) Future Speculative Development. Develop, or permit any Mortgagor or Subsidiary to develop, any undeveloped real property owned by the Borrower or such Mortgagor or Subsidiary in the absence of executed leases approved by Lender for more than 50% of the

projected leasable space on such property; provided, that development of the Project shall be permitted.

(l) Negative Pledge. Except in connection with (i) Existing Debt, (ii) Secured Debt permitted hereby, (iii) Subordinate Debt permitted hereby, and (iv) Permitted Liens, but only to the extent expressly permitted herein, the Borrower shall not enter into any covenant or other agreement that prevents it or could prevent it in the future from pledging, granting a security interest in, mortgaging, assigning, encumbering or otherwise creating a lien on any of its property (whether real or personal, tangible or intangible, and now owned or hereafter acquired) in favor of the Lender, or that would be breached if the Borrower were to pledge, grant a security interest in, mortgage, assign, encumber or otherwise create a lien on any of its property (whether real or personal, tangible or intangible, and now owned or hereafter acquired) in favor of the Lender.

(m) Future Property Acquisition. Except as permitted in Section 6.01, acquire, or permit any Mortgagor or Subsidiary to acquire, any real property without the consent of the Lender and without executing and delivering or causing such Mortgagor or Subsidiary to execute and deliver any instrument the Lender may deem necessary or desirable to effectuate such real property becoming additional security for the Loan.

(n) Payments Under Subordinate Loan Documents. Make any payment in respect of any Subordinate Debt (i) at any time while any amount shall be due and owing under any of the Loan Documents or (ii) after the Loan shall have matured or the Lender shall have accelerated payment of the Loan pursuant to Section 7.01 or prepay any Subordinate Debt while at any time that any Loan Obligation remains unpaid.

(o) Transfer of Properties. Transfer title to any of the Properties except to (i) any Mortgagor, (ii) any Person described in clause (a) of the definition of Permitted Related Owner, (iii) any Person described in clause (b) of the definition of Permitted Related Owner or (iv) with respect to the 59th Street Property, 731 Commercial LLC and 731 Residential LLC, or to the holders of the construction loan (or their nominee or nominees) as part of a deed in lien transaction, provided that, (x) in the case of clause (iii), a receiver of a Property sought to be transferred to such Permitted Related Owner has proposed to enter into a lease at such Property or take any other action which would materially adversely affect the Borrower's qualification as a REIT and the Borrower has given ten (10) days' notice to the Lender of its intention to transfer such Property to such Permitted Related Owner and (y) in the case of the 59th Street Property, residential condominium units may be sold.

(p) Issuance of Shares. Issue, or permit any Subsidiary (other than a Permitted Related Owner) to issue any shares of stock that are not issued as of the date hereof, except that notwithstanding this paragraph the Borrower shall be permitted to issue shares of stock at any time so long as, taking into account such issuance, Vornado Realty Trust and its Affiliates (including for this purpose Interstate Properties) shall continue to own in the aggregate not less than 20% of the outstanding shares of common stock of the Borrower, and, provided further, with respect to Borrower only, that an automatic exchange involving Excess Stock as defined in and pursuant to Borrower's Amended and Restated Certificate of Incorporation shall not be treated as an issuance of shares for the purposes of this Section.

Reporting Requirements. So long as any portion of the Loan shall remain unpaid, the Borrower will, unless the Lender shall otherwise consent in writing, furnish to the Lender:

(q) Quarterly Financials. (i) As soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Borrower, Borrower's Quarterly Report on Form 10-Q for the preceding quarter as filed with the Securities and Exchange Commission (the "Commission"), containing unaudited financial statements as required by law; and (ii) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year, an unaudited consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such quarter and consolidating statement of operations and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding period of the preceding fiscal year, all in reasonable detail and represented to be true and correct (subject to year-end audit adjustments) by the Chairman of the Board of the Borrower or other officer of the Borrower.

(r) Annual Financials. (i) As soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, a copy of the Borrower's Annual Report on Form 10-K for such fiscal year as filed with the Commission; and (ii) as soon as available and in any event within 120 days after the end of each fiscal year, an unaudited consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year and an unaudited consolidating statement of operations and cash flows of the Borrower and its Subsidiaries for such fiscal year, represented to be true and correct by the Chairman of the Board of the Borrower or other officer of the Borrower.

(s) Litigation. Promptly after the commencement thereof, notice of all actions, suits, investigations, litigation and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting any Loan Party of the type described in Section 4.01(h), and promptly after the occurrence thereof, notice of any material adverse change in the status of the Disclosed Litigation from that described on Schedule IV hereof.

(t) Environmental Conditions. Promptly after the occurrence thereof, notice of any condition or occurrence on any Property that results in a material noncompliance by any Loan Party or any of its Subsidiaries with any Environmental Law or Environmental Permit or would be reasonably likely to (i) form the basis of an Environmental Action against any Loan Party or any of its Subsidiaries or any Property that could have a Material Adverse Effect or (ii) cause any Property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

(u) Financial Data for Each Property. Not later than 120 days after the end of each fiscal year, and not later than sixty (60) days after the end of each fiscal quarter, financial data in form reasonably satisfactory to the Lender relating to the operation of each of the Properties, including, without limitation, certified rent roll and summary of leases represented as true and correct by the Chairman of the Board of the Borrower or other officer of the Borrower.

(v) Budget. To the extent required and received under the Management Agreement, not less than 30 days prior to the commencement of each fiscal year, an annual operating budget relating to the Properties for the upcoming fiscal year including, without limitation, the projected gross rental income and projected operating expenses on a line item basis, provided, however, nothing herein contained shall be deemed to require the Borrower to comply with such budgets.

(w) Other Information. Such other information respecting the business, financial condition, operations, performance or properties of any Loan Party as the Lender may from time to time reasonably request.

SECTION 5.03. Covenants of the Lender. (a) The Lender hereby covenants to Borrower that it will not exercise any rights, including rights exercisable upon the occurrence of an Event of Default, that it has arising from or as a result of this Credit Agreement or any related agreement to cause Borrower or any Subsidiary of Borrower or any Permitted Related Owner to (i) enter into a lease or lease amendment that either (A) provides for payments that are based, directly or indirectly (including through sub-leasing), upon the net "income or profits" of any person (as defined in Section 856(d) (2) of the Code) or (B) requires Borrower or any Subsidiary of Borrower or any Permitted Related Owner to provide a service to a tenant, other than through an independent contractor (as defined in Section 856(d)(2) of the Code), where the provision of such service by Borrower or any of its Subsidiaries or any Permitted Related Owner would cause rents received by the Borrower or any of its Subsidiaries to fail to be "rents from real property" under Section 856(d)(2) of the Code, (ii) engage in a new line of business which (A) is unrelated to the development or leasing of real property and (B) would create a substantial risk, as a result of its generation of income not described in Section 856(c)(2) or (c)(3) of the Code, that Borrower would fail to qualify as a REIT under the Code or (iii) acquire an asset that would cause Borrower to fail to satisfy the asset test of Section 856(c)(5) of the Code; provided, however, that the foregoing covenants of this Section 5.04(a) shall not (x) preclude the Lender from collecting amounts due to the Lender under this Credit Agreement or from foreclosing on any property securing such indebtedness or (y) be deemed to have been breached or violated by the Lender as a result of any act or action (including, without limitation, the execution of a lease) made, done or taken by any receiver for any property of any Loan Party (including a receiver appointed at the request of the Lender) unless a motion to compel such act or action was made by the Lender to the court which appointed such receiver.

(b) The Lender agrees to use reasonable efforts to preserve the confidentiality of any Confidential Information received by it from the Borrower except as required by law or court order.

(c) The Lender shall execute and deliver a non-disturbance agreement substantially in the form of Exhibit C hereto (with such changes as the Lender may reasonably request) in connection with any lease approved by the Lender pursuant to Section 5.01(i) where the tenant is a nationally recognized credit-worthy retail tenant, provided that the tenant under such Lease shall require such non-disturbance agreement.

ARTICLE VI.

SPECIAL PROVISIONS

SECTION 6.01. Condemnation and Casualty. (a) In the event of any condemnation or casualty of any Property in part or in the entirety, the proceeds of such condemnation or casualty, to the extent not retained or otherwise applied by the holder of any mortgage securing Senior Debt on such Property, or by the holder of the Construction Loan, applied as required pursuant to any Major Lease approved by the Lender at the Property or applied by such mortgagee or in accordance with such Major Lease either to restore the improvements on such Property or to reduce such Senior Debt or the Construction Loan, as applicable, applied as required pursuant to any condominium declaration and/or related by-laws affecting any Property that has previously been approved by Lender to restore the improvements on such Property or applied in accordance with the Loan Documents, shall be immediately deposited by Borrower in a cash collateral account to be maintained by Borrower at a depository designated by Lender and under the sole dominion and control of Lender (the "Cash Collateral Account") pursuant to a cash collateral agreement to be entered into between Borrower, Lender and such Depository (the "Cash Collateral Agreement"); (such proceeds of condemnation so deposited being herein called "Condemnation Proceeds"; such proceeds of casualty so deposited being herein called "Casualty Proceeds"; and Condemnation Proceeds and/or Casualty Proceeds being herein called "Proceeds") and shall constitute additional collateral for the Loan Obligations.

(b) Provided that no Default or Event of Default shall have occurred and be continuing, the Borrower shall be entitled to withdraw any Condemnation Proceeds from the Cash Collateral Account for the purpose of acquiring additional real estate assets with the consent of the Lender, which consent shall not be unreasonably withheld, provided that, subject to the Loan Documents, the Loan Agreements and the Other Vornado Loans (i) Borrower shall have delivered to Lender an appraisal for such real estate (x) for an amount at least equal to the amount of the Condemnation Proceeds sought to be withdrawn by the Borrower to purchase such real estate and (y) issued by an appraisal company and in form and substance reasonably satisfactory to the Lender; (ii) the Borrower shall have delivered to Lender environmental, engineering and such other studies, reports, documents, title reports, violation searches and other information relating to such real estate as would be generally required by the Lender in accordance with good institutional lending practices, all of which studies, reports, documents and other information shall be in form and substance reasonably satisfactory to the Lender; (iii) the Lender shall be granted a priority lien mortgage on said real estate to further secure the Guaranty (the "Additional Mortgage"); (iv) the Borrower shall have delivered to Lender a paid-up mortgage title insurance policy in favor of Lender, insuring the Additional Mortgage as a second priority mortgage on such real estate, subject to no encumbrances or other title exceptions except those title exceptions which Lender reasonably determines are acceptable based on good institutional lending practices; and (v) the Borrower shall have paid all reasonable costs and expenses of the Lender (including reasonable attorneys' fees and expenses) incurred by the Lender in connection with the review of any of the foregoing conditions.

(c) The Borrower shall also have the right to withdraw the Condemnation Proceeds remaining in the Cash Collateral Account to pay for the cost of constructing improvements on

any Property covered by any Mortgage, and the Borrower shall have the right to withdraw any Casualty Proceeds in the Cash Collateral Account to pay for the repair and restoration of improvements whose damage or destruction generated such Casualty Proceeds, provided that, in all cases, subject to the Loan Documents, the Loan Agreements and any condominium declaration and/or related by-laws affecting such Property that has previously been approved by Lender and the Other Vornado Loans: (i) no Default or Event of Default shall be continuing; (ii) the Lender shall have approved the plans and specifications for the construction of such improvements as well as the general contract and other major contracts to be entered into by the Borrower in connection with such construction, which approval will not unreasonably be withheld; (iii) the Lender shall have received such certification and assurances as Lender shall reasonably request to assure it that the cost of constructing the improvements as shown on the plans approved by Lender does not exceed the amount of the Proceeds sought to be withdrawn by the Borrower to pay for such improvements; and (iv) the Lender may impose such further conditions and restrictions upon the disbursement of such Proceeds as the Lender deems necessary or desirable, consistent with prudent institutional construction lending practices, to assure the completion of the proposed improvements subject to no liens or encumbrances (except Permitted Liens) and in accordance with the aforesaid approved plans and all applicable laws.

SECTION 6.02. Payment of REIT Dividends. In the event that the Borrower shall determine, upon the advice of counsel then generally used by Borrower for tax advice, that it shall be required to pay a dividend or make a distribution to stockholders in order to preserve its qualification as a REIT, whether or not the Proceeds shall have been applied as contemplated pursuant to Section 6.01 (b) or (c), then, anything herein to the contrary notwithstanding, the Borrower may, with the consent of the Lender (i) incur unsecured subordinated indebtedness for the purpose of paying such dividend or making such distribution or to pay such dividend or make such distribution in the form of subordinated indebtedness and/or (ii) withdraw Proceeds from the Cash Collateral Account to pay such dividend or make such distribution.

ARTICLE VII.

EVENTS OF DEFAULT

SECTION 7.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) the Borrower shall fail to pay (i) any principal of the Loan, when the same becomes due and payable or (ii) any other payment under any Loan Document, in each case under this clause (ii) within five days after notice of the same becoming due and payable; or

(b) any representation or warranty made by any Loan Party (or any of its officers) under or in connection with any Loan Document shall prove to have been incorrect in any material respect when made; or

(c) the Borrower shall fail to perform or observe, in any material respect, any term, covenant or agreement contained in Section 5.02; or

(d) except as otherwise specified in such Loan Document, any Loan Party shall fail to perform any other term, covenant or agreement contained in any Loan Document on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice (or such longer period, if any, as may be set forth in the applicable covenant or agreement) thereof shall have been given to the Borrower by the Lender; or

(e) any Loan Party or any of its Subsidiaries shall fail to pay any principal of, premium or interest on or any other amount payable in respect of or any Subordinated Debt of such Loan Party or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable notice and grace period, if any, specified in the agreement or instrument relating to such Subordinated Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Subordinated Debt and shall continue after the applicable notice and grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate the maturity of such Subordinated Debt or otherwise to cause such Subordinated Debt to mature; or any such Subordinated Debt shall be declared to be due and payable or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Subordinated Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(f) any Loan Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Loan Party seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it) that is being diligently contested by it in good faith, either such proceeding shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or any substantial part of its property) shall occur; or any Loan Party shall take any corporate action to authorize any of the actions set forth above in this subsection (f); or

(g) any judgment or order for the payment of money in excess of \$500,000 shall be rendered against any Loan Party, and either (i) enforcement proceedings shall have been commenced and be continuing by any creditor upon such judgment or order or (ii) there shall be any period of 20 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) any non-monetary judgment or order shall be rendered against any Loan Party that is reasonably likely to have a Material Adverse Effect, and there shall be any period of 20 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(i) any material provision of any Loan Document after delivery thereof shall for any reason cease to be valid and binding on or enforceable against any Loan Party to it, or any such Loan Party shall so state in writing; or

(j) except as otherwise permitted under Section 5.02(a), any Collateral Document after delivery thereof shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected Lien on the Collateral purported to be covered thereby with the priority of liens set forth therein;

(k) any Event of Default (as such term is defined in any Loan Document) shall occur and be continuing;

(l) any Event of Default (as such term is defined in any loan document of the Other Vornado Loans) shall occur and be continuing; or

(m) any Event of Default (as such term is defined in the Loan Agreements of the Construction Loan) shall occur and be continuing;

then, and in any such event, the Lender may, by notice to the Borrower, declare the Loan Obligations, together with all interest thereon and all other amounts payable under this Credit Agreement and the other Loan Documents, to be forthwith due and payable, whereupon the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to any Loan Party under the United States Bankruptcy Code, the Notes, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VIII.

MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of this Credit Agreement or the Note, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower and the Lender, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 8.02. Notices, Etc. All notices and communications under this Credit Agreement shall be in writing and shall be given by either (a) hand-delivery, (b) facsimile transmission, (c) first class mail (postage prepaid), or (d) reliable overnight commercial courier (charges prepaid)

(i) if to the Borrower, to:

Alexander's Inc.
c/o Vornado Realty Trust
210 Route 4 East

Paramus, New Jersey 07652-0910
Attention: Chief Financial Officer
Facsimile No.: (201) 587-0600

with a copy to:

Winston & Strawn
200 Park Avenue
New York, New York 10166

Facsimile No.: (212) 294-4700
Attention: Neil Underberg

and

Vornado Realty Trust
888 Seventh Avenue
New York, New York 10019
Attention: President
Facsimile No.: (212) 894-7070

(ii) if to the Lender, to:

Vornado Lending L.L.C.
c/o Vornado Realty Trust
210 Route 4 East
Paramus, New Jersey 07652-0910
Attention: Chief Financial Officer
Facsimile No.: (201) 587-0600

Notice shall be deemed to have been given and received: (i) if by hand delivery, upon delivery; (ii) if by facsimile, upon transmission; (iii) if by mail, three (3) calendar days after the date first deposited in the United States mail; and (iv) if by overnight courier, on the date scheduled for delivery. A party may change its address by giving written notice to the other party as specified herein.

SECTION 8.03. No Waiver; Remedies. No failure on the part of the Lender to exercise, and no delay in exercising, any right hereunder or under the Notes shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs, Expenses. (a) The Borrower agrees to pay on demand (i) all reasonable costs and expenses of the Lender in connection with the preparation, execution, delivery, administration, modification and amendment of the Loan Documents (including, without limitation, the reasonable fees and expenses of counsel for the Lender with respect thereto) and (ii) all reasonable costs and expenses of the Lender in connection with the enforcement of the Loan Documents, whether in any action, suit or litigation, any bankruptcy, insolvency or other similar proceeding affecting creditors' rights generally or otherwise

(including, without limitation, the reasonable fees and expenses of counsel for the Lender with respect thereto).

(b) The Borrower agrees to indemnify and hold harmless the Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with (i) the transactions contemplated hereby, (ii) the actual or alleged presence of Hazardous Materials on any property or any Environmental Action relating in any way to any Loan Party or any of its Subsidiaries, (iii) disputes with any architect, general contractor, subcontractor, materialman or supplier, or on account of any act or omission to act by the Lender in connection with any Property, (iv) any untrue statement of a material fact contained in information submitted to the Lender by the Borrower or the omission of any material fact necessary to be stated therein in order to make such statement not misleading or incomplete, (v) the failure of the Borrower or any Loan Party to perform any obligations required to be performed by the Borrower or any Loan Party under any Loan Document and (vi) the ownership, construction, occupancy, operation, use or maintenance of any of the Properties, in each case whether or not the transactions contemplated hereby are consummated, except (i) to the extent such claim, damage, loss, liability or expense is found to have resulted from any Indemnified Party's gross negligence or willful misconduct. Notwithstanding the foregoing provisions of this Section 8.04(b), the Borrower shall have no obligation to indemnify any Indemnified Party against, or hold it harmless from, (i) any judgment rendered by a court of competent jurisdiction against any Indemnified Party and in favor of the Borrower, or (ii) any legal fees and expenses incurred by the Indemnified Party in defending the action brought by the Borrower which resulted in such judgment in favor of the Borrower, but the foregoing provisions of this sentence shall not diminish or otherwise affect the Borrower's liability for payment of all legal fees and expenses incurred by the Lender in enforcing the Lender's rights and remedies under any of the Loan Documents.

(c) In case any action shall be brought against the Lender or any other Indemnified Party in respect of which indemnity may be sought against the Borrower, the Lender or such other Indemnified Party shall promptly notify the Borrower and the Borrower shall assume the defense thereof, including the employment of counsel selected by the Borrower and reasonably satisfactory to the Lender, the payment of all costs and expenses and the right to negotiate and consent to settlement. The failure of the Lender to so notify the Borrower shall not relieve the Borrower of any liability it may have under the foregoing indemnification provisions or from any liability which it may otherwise have to the Lender or any of the other Indemnified Parties except to the extent that the Borrower incurs actual expenses or suffers actual monetary loss as a result of such failure to give notice. The Lender shall have the right, at its sole option, to employ separate counsel and as long as Borrower is complying with its indemnification obligations hereunder, the fees and disbursements of such separate counsel shall be paid by Lender. The Borrower shall not be liable for any settlement of any such action effected without its consent, but if settled with the Borrower's consent, or if there be a final judgment for the claimant in any such action, the Borrower agrees to indemnify and save harmless the Lender from and against any loss or liability by reason of such settlement or judgment.

(d) If any Loan Party fails to pay when due any costs, expenses or other amounts payable by it under any Loan Document, including, without limitation, fees and expenses of counsel and indemnities, such amount may be paid on behalf of such Loan Party by the Lender, in its sole discretion.

(e) The provisions of this Section 8.04 shall survive the repayment or other satisfaction of the Borrower's Obligations hereunder.

SECTION 8.05. Merger. This Credit Agreement and the other Loan Documents constitute the sole agreement of the parties with respect to the transactions contemplated herein and therein and supersede all oral negotiations and prior writings with respect thereto.

SECTION 8.06. Binding Effect. This Credit Agreement shall become effective when it shall have been executed by the Borrower and the Lender and thereafter shall be binding upon and inure to the benefit of the Borrower, the Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lender.

SECTION 8.07. Lender's Discretion. Except as otherwise specified in this Credit Agreement, whenever this Credit Agreement provides that the Lender's consent or approval is required, or that any action may be taken or not taken at the Lender's option, such consent or approval may be given or not, and such action may be taken or not, in the Lender's sole discretion. Any reference in this Credit Agreement to Lender's consent or approval being required shall be deemed to refer to Lender's prior consent or approval given in writing.

SECTION 8.08. Participations. (a) The Lender may sell participations in up to one-third of its rights and obligations under this Credit Agreement (including, without limitation, of its Loan and the Notes held by it) (the purchaser of any rights and obligations being referred to herein as a "Participant"); provided, however, that (i) the obligations of the Borrower and the Lender under this Credit Agreement and the other Loan Documents shall remain unchanged, (ii) the Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower shall continue to deliver all notices, communications and payments solely to the Lender and any such notice, communication or payment shall be valid and effective for all purposes hereunder notwithstanding any such sale of participations. Upon the sale of any participation permitted hereunder, the Borrower shall cooperate with such reasonable requests of the Lender, at the sole expense of the Lender, to sever and split the note issued hereunder among the Lender and any Participants.

(b) The Lender may, in connection with any participation or proposed participation pursuant to this Section 8.08, disclose to the Participant or proposed Participant, any information relating to the Borrower furnished to the Lender by or on behalf of the Borrower; provided, however, that, prior to any such disclosure, the Participant or proposed Participant shall agree to preserve the confidentiality of any Confidential Information received by it from the Lender.

(c) Notwithstanding any other provision set forth in this Credit Agreement, the Lender may at any time create a security interest in all or any portion of its rights under this Credit Agreement (including, without limitation, the Loan and the Notes held by it) in favor of

any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 8.09. Governing Law. This Credit Agreement and the Note shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.10. Execution in Counterparts. This Credit Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Credit Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Credit Agreement.

SECTION 8.11. Waiver of Jury Trial. Each of the Borrower and the Lender hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to any of the Loan Documents, the Loan or the actions of the Lender in the negotiation, administration, performance or enforcement thereof. The Borrower acknowledges and agrees that this section is a specific and material aspect of this Credit Agreement and that the Lender would not extend credit to the Borrower if the waiver set forth in this section were not a part of this Credit Agreement.

SECTION 8.12. Jurisdiction. The Borrower irrevocably appoints each and every owner, partner and/or officer of the Borrower as its attorneys upon whom may be served, by regular or certified mail at the address set forth herein, any notice, process or pleading in any action or proceeding against it arising out of or in connection with this Credit Agreement or any other Loan Document; and the Borrower hereby consents that any action or proceeding against it may be commenced and maintained in any court within the State of New Jersey or the State of New York or in the United States District Court for the District of New Jersey or the United States District Court for the Southern District of New York by service of process on any such owner, partner and/or officer; and the Borrower agrees that the courts of the State of New Jersey and the courts for the State of New York and the courts for the United States District Court for the District of New Jersey and the courts for the United States District Court for the Southern District of New York shall have jurisdiction with respect to the subject matter hereof and the person of the Borrower and all collateral securing the obligations of the Borrower. The Borrower agrees not to assert any defense to any proceeding initiated by the Lender in such court based upon improper venue or inconvenient forum. The foregoing shall not limit, restrict or otherwise affect the right of the Borrower or the Lender to commence any action on this Credit Agreement or any other Loan Document in any other courts having jurisdiction.

SECTION 8.13. Continuing Enforcement. If, after receipt of any payment of all or any part of the Borrower's Obligations hereunder, the Lender is required by law in connection with insolvency, fraudulent conveyance, bankruptcy or similar proceedings to surrender such payment then this Credit Agreement and the other Loan Documents shall continue in full force and effect, and the Borrower shall be liable for, and shall indemnify defend and hold harmless the Lender with respect to the full amount so surrendered. The provisions of this Section 8.13 shall survive the termination of this Credit Agreement and the other Loan Documents and shall remain effective notwithstanding the payment of the Borrower's Obligations hereunder, the

cancellation of the Notes or any other Loan Document, the release of any security interest, lien or encumbrance securing the Borrower's Obligations hereunder or any other action which the Lender may have taken in reliance upon its receipt of such payment. Any cancellation, release or other such action by the Lender shall be deemed to have been conditioned upon any payment of the Borrower's Obligations hereunder having become final and irrevocable.

* * *

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Credit Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ALEXANDER'S, INC.

By: /s/Brian Kurtz

Name: Brian Kurtz

Title: Assistant Secretary

VORNADO LENDING L.L.C.

By: /s/ Joseph Macnow

Name: Joseph Macnow

Title: Executive Vice President

SCHEDULE I
PROPERTIES

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

59TH STREET PROPERTY

Address: 162-64 East 59th St. a/k/a 976-88 Third Ave.
135-39 East 58th St. a/k/a 723-33 Lexington Ave.
136-40 East 59th St. a/k/a 735-41 Lexington Ave.
New York, New York

Tax Map Designation:

Block: 1313 Lots: 40, 42, 43, 50
City: New York County: New York State: New York

REGO PARK II PROPERTY

Address: Junction Boulevard
Rego Park, New York

Tax Map Designation:

Block: 2080 Lot: 101

REGO PARK III PROPERTY

Address: Junction Boulevard
Rego Park, New York

Tax Map Designation:

Block: 2077 Lot: 90 and 98
Block: 2076 Lot: 50 and 63

THIRD AVENUE PROPERTY

Address: 2948-54 Third Avenue
633 Bergen Avenue
2964 Third Avenue; and
2970 Third Avenue
Bronx, New York

Tax Map Designation:

Section: 9 Block: 2362 Lots: 44, 72, 71, 52 & 53
City: New York County: Bronx State: New York

SCHEDULE II
CONFLICTS UNDER LOAN DOCUMENTS

1. Completing recordation and filing of the Mortgages and other documents.

SCHEDULE III
REQUIRED AUTHORIZATIONS

1. Recording Mortgages and making other security filings.

SCHEDULE IV
DISCLOSED LITIGATION

1. Claims in process in the Bankruptcy Proceeding as set forth in attached Schedule IV-A.

SCHEDULE V(a)
ENVIRONMENTAL NON-COMPLIANCE

1. Environmental matters disclosed in Alexander's, Inc. quarterly report on Form 10-Q for the quarter ended September 30, 1994, et. seq.

SCHEDULE V(b)
ENVIRONMENTAL REPORTS

Phase I Environmental Site Assessments prepared for Alexander's, Inc., 31 West 34th Street, Seventh Floor, New York, NY 10001 and prepared by Certified Engineering & Testing Company, Inc., 444 Park Avenue South, Suite 702, New York, NY 10016:

1. Roosevelt Avenue & Main Street, 136-20 Roosevelt Avenue, Flushing, New York 11354 (December 1, 1993)
2. Alexander's Department Store, 96-05 Queens Boulevard, Rego Park, New York 11374 (December 1, 1993)
3. Third Avenue & 152nd Street, Bronx, New York (December 1, 1993)
4. East 59th Street & Lexington Ave., 731-733 & 735-741 Lexington Ave., 982-988 & 976-980 Third Ave., New York, New York 10022 (December 1, 1993)

SCHEDULE VI
DEFAULTS UNDER MATERIAL AGREEMENTS

(None)

SCHEDULE VII
NON-COMPLIANCE WITH LAWS

(None)

EXHIBIT A
FORM OF NOTE

EXHIBIT B
FORM OF GUARANTY

EXHIBIT C
FORM OF NON-DISTURBANCE AGREEMENT

EXHIBIT D
FORM OF MORTGAGE

EXHIBIT E
FORM OF ASSIGNMENT OF COLLATERAL ACCOUNT AND SECURITY AGREEMENT

EXHIBIT F

FORM OF DEPOSIT ACCOUNT CONTROL AGREEMENT

EXHIBIT G
FORM OF PLEDGE AGREEMENT

EXHIBIT H
FORM OF BORROWING REQUEST

STATE OF New York)
-----)
COUNTY OF New York)
-----)

ss.:

On the 2nd day of July, in the year 2002, before me, the undersigned, personally appeared Joseph Macnow, 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/ Leon Busted

Notary Public Leon Busted
My commission expires: Nov. 30, 2002

CREDIT AGREEMENT

dated as of July 3, 2002

among

ALEXANDER'S INC.,
as Borrower

and

VORNADO LENDING L.L.C.,
as Lender

TABLE OF CONTENTS

	Page ----
ARTICLE I. DEFINITIONS AND ACCOUNTING TERMS	1
SECTION 1.01. Certain Defined Terms	1
SECTION 1.02. Computation of Time Periods	9
SECTION 1.03. Accounting Terms	9
ARTICLE II. AMOUNTS AND TERMS OF THE ADVANCES	9
SECTION 2.01. The Loan	9
SECTION 2.02. Repayment	9
SECTION 2.03. Prepayments	9
SECTION 2.04. Interest	9
SECTION 2.05. Increased Costs	10
SECTION 2.06. Payments and Computations	10
SECTION 2.07. Taxes	11
SECTION 2.08. Payment of Certain Costs and Expenses	12
SECTION 2.09. Use of Proceeds	13
ARTICLE III. CONDITIONS OF LENDING	13
SECTION 3.01. Conditions Precedent to Funding Loan	13
ARTICLE IV. REPRESENTATIONS AND WARRANTIES	13
SECTION 4.01. Representations and Warranties of the Borrower .	13
ARTICLE V. COVENANTS	16
SECTION 5.01. Affirmative Covenants of the Borrower	16
SECTION 5.02. Negative Covenants	19
SECTION 5.03. Reporting Requirements	23
SECTION 5.04. Covenants of the Lender	24
ARTICLE VI. SPECIAL PROVISIONS	25
SECTION 6.01. Condemnation and Casualty	25
SECTION 6.02. Payment of REIT Dividends	26
ARTICLE VII. EVENTS OF DEFAULT	27
SECTION 7.01. Events of Default	27
ARTICLE VIII. MISCELLANEOUS	29
SECTION 8.01. Amendments, Etc	29

SECTION 8.02.	Notices, Etc	29
SECTION 8.03.	No Waiver; Remedies	30
SECTION 8.04.	Costs, Expenses	30
SECTION 8.05.	Merger	31
SECTION 8.06.	Binding Effect	31
SECTION 8.07.	Lender's Discretion	31
SECTION 8.08.	Participations	31
SECTION 8.09.	Governing Law	32
SECTION 8.10.	Execution in Counterparts	32
SECTION 8.11.	Waiver of Jury Trial	32
SECTION 8.12.	Jurisdiction	32
SECTION 8.13.	Continuing Enforcement	33

Schedule I	-	Properties
Schedule II	-	Conflicts under Loan Documents
Schedule III	-	Required Authorizations
Schedule IV	-	Disclosed Litigation
Schedule V(a)	-	Environmental Non-Compliance
Schedule V(b)	-	Environmental Reports
Schedule VI	-	Defaults under Material Agreements
Schedule VII	-	Non-compliance with Laws
Exhibit A	-	Form of Note
Exhibit B-1	-	Form of Guaranty
Exhibit B-2	-	Form of Guaranty
Exhibit C	-	Form of Non-Disturbance Agreement
Exhibit D	-	Form of Mortgage
Exhibit E	-	Form of Assignment of Collateral Account and Security Agreement
Exhibit F	-	Form of Deposit Account Control Agreement
Exhibit G	-	Form of Pledge Agreement

CREDIT AGREEMENT dated as of July 3, 2002 by and between Alexander's Inc., a Delaware corporation ("Alexander's" or the "Borrower"), as borrower, and Vornado Lending L.L.C., a New Jersey limited liability company (the "Lender"), as lender.

(1) WHEREAS, Borrower and Lender previously entered into that certain Credit Agreement, dated as of October 20, 1999 (as heretofore amended, the "ORIGINAL CREDIT AGREEMENT"), pursuant to which Lender advanced to Borrower the aggregate principal amount of Fifty Million and 00/100 Dollars (\$50,000,000.00);

(2) WHEREAS, the outstanding principal amount under the Original Credit Agreement has been reduced by \$10,000,000 and such \$10,000,000 is now secured by this Credit Agreement and the Loan Documents; and

(3) WHEREAS, Borrower is being released from its obligations as borrower under the Original Credit Agreement effective as of the date hereof;

(4) WHEREAS, Borrower has requested that Lender make a loan in the amount and for the purposes herein specified and Lender is willing to make such a loan on the terms and conditions set forth herein; and

(5) WHEREAS, an additional sum of \$25,000,000 is being advanced by Lender to Borrower on the date hereof.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I.

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Credit Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"59th Street Property" means the Property designated on Schedule I to this Credit Agreement as the "59th Street Property."

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling," "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 20% or more of the Voting Stock of such Person or to direct or cause the

direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Assignment of Collateral Account and Security Agreement" means the Assignment of Collateral Account and Security Agreement, substantially in the form of Exhibit E hereto.

"Borrower" has the meaning specified in the recital of parties to this Credit Agreement.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday on which banks are not required or authorized to close in New York City.

"Capitalized Leases" has the meaning specified in clause (e) of the definition of Debt.

"Cash Collateral Account" has the meaning specified in Section 6.01.

"Cash Collateral Agreement" has the meaning specified in Section 6.01.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as the same may be amended from time to time.

"Closing Date" means July 3, 2002.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means all "Collateral" referred to in the Collateral Documents and all other property that is subject to any Lien in favor of the Lender.

"Collateral Documents" means collectively each Guaranty, Mortgage, Pledge Agreement and the Lockbox Documents.

"Confidential Information" means information that the Borrower furnishes to the Lender on a confidential basis, but does not include any such information that is or becomes generally available to the public other than as a result of a breach by the Lender of its obligations hereunder or that is or becomes available to the Lender from a source other than the Borrower that is not, to the best of the Lender's knowledge, acting in violation of a confidentiality agreement with the Borrower.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Construction Loan" shall have the meaning given to such term in Section 5.01(m) hereof.

"Debt" of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all Obligations of such Person for the deferred

purchase price of property or services (other than trade payables not overdue by more than 60 days incurred in the ordinary course of such Person's business), (c) all Obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all Obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Obligations of such Person as lessee under leases that have been or should be, in accordance with GAAP, recorded as capital leases ("Capitalized Leases"), (f) all Obligations, contingent or otherwise, of such Person under acceptance, letter of credit or similar facilities, (g) all Debt of others referred to in clauses (a) through (f) above guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (i) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (ii) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss, (iii) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (iv) otherwise to assure a creditor against loss, and (h) all Debt referred to in clauses (a) through (f) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Default Rate" means 4% per annum above the rate per annum required to be paid on the Loan pursuant to Section 2.04(a).

"Deposit Account Control Agreement" means the Control Agreement for Notification and Acknowledgement of Security Interest in Deposit Accounts substantially in the form of Exhibit F hereto.

"Disclosed Litigation" means the matters described on Schedule IV hereto.

"Environmental Action" means any administrative, regulatory or judicial action, suit, demand, demand letter, claim, notice of non-compliance or violation, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law or any Environmental Permit including, without limitation, (a) any written claim by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any Environmental Law and (b) any written claim by any third party seeking damages, contribution, indemnification, cost recovery, compensation or

injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"Environmental Law" means any applicable federal, state or local law, rule, regulation, order, writ, judgment, injunction, decree, determination or award relating to the environment, health, safety or Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"Events of Default" has the meaning specified in Section 7.01.

"Existing Debt" means Debt of the Borrower outstanding immediately before the time of execution of this Credit Agreement.

"Flushing Property" means the ground leasehold estate on the Property designated on Schedule I to this Credit Agreement as the "Flushing Property."

"GAAP" has the meaning specified in Section 1.03.

"Guarantor" means each of Alexander's of Rego Park II, Inc., Alexander's of Rego Park III, Inc., Alexander's of Third Avenue, Inc., and Alexander's of Flushing, Inc. and subsequent assignees thereof and any other Person who shall execute a Guaranty after the date hereof.

"Guaranty" means the Guaranty substantially in the form of Exhibit B to this Credit Agreement, as amended from time to time, duly executed as of the Closing Date by each Guarantor.

"Hazardous Materials" means (a) petroleum or petroleum products, natural or synthetic gas, asbestos in any form that is friable, urea formaldehyde foam insulation and radon gas, (b) any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminants" or "pollutants," or words of similar import, under any Environmental Law and (c) any other substance exposure to which is regulated under any Environmental Law.

"Indemnified Party" has the meaning specified in Section 8.04(b).

"Interest Payment Date" has the meaning specified in Section 2.04(a).

"Interest Rate" means a rate equal to the one-year treasury bill rate (the "Base Rate") as of March 15, 2002 plus 9.48%, such rate to be reset quarterly (i.e., on June 15, September 15, December 15 and March 15) to equal the Base Rate as of the reset date plus 9.48%; provided, however, that if the one-year treasury bill rate as of any reset date is less than 3%, the Base Rate for purposes of such reset shall be 3%.

"Leasing Agreement" means (a) that certain 59th Street Real Estate Retention Agreement, as of the date hereof, among Vornado Realty Trust and the Borrower as amended from time to time and (b) that certain Real Estate Retention Agreement dated July, 1992, between Vornado, Inc., Alexander's, and certain other parties as amended by Amendment to Real Estate Retention Agreement dated as of the date hereof.

"Lender's Account" means an account of or specified by the Lender and, until the Lender shall notify the Borrower of a change in such account, shall mean the account of Vornado Lending L.L.C. maintained at Fleet Bank (Account No. 9403934589).

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property and any easement, right of way or other encumbrance on title to real property.

"Loan" means the loan from Lender to Borrower in the amount of \$35,000,000 evidenced by this Credit Agreement.

"Loan Documents" means this Credit Agreement, the Note, the Collateral Documents and the Guaranty and any other documents executed by any Loan Party in connection with the Loan.

"Loan Obligations" means all amounts due payable to the Lender under the Loan Documents.

"Loan Parties" means the Borrower, each Guarantor and each Mortgagor.

"Lockbox Documents" means collectively, that certain Assignment of Collateral Account and Security Agreement and that certain Deposit Account Control Agreement, each dated on or about the date hereof.

"Major Lease" means any lease at Property (i) for an entire free-standing building, including without limitation a building to be constructed, (ii) for over 10,000 rentable square feet, or (iii) with an anchor tenant.

"Management Agreement" means (a) that certain Amended and Restated Management and Development Agreement, dated as of the date hereof, between the Borrower and Vornado Management Corp., as amended from time to time, and (b) that 59th Street Management and Development Agreement dated as of the date hereof between 731 Residential LLC, 731 Commercial LLC and Vornado Management Corp., as amended from time to time.

"Material Adverse Change" means any material adverse change in the business, financial condition, operations, performance or properties of the Borrower and the Loan Parties taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, financial condition, operations, performance or properties of the Borrower and the Loan Parties taken as a whole, (b) the rights and remedies of the Lender under any Loan Document or (c) the ability of any Loan Party to perform its Obligations under any Loan Document to which it is or is to be a party.

"Maturity Date" means the earlier of (i) January 3, 2006 and (ii) the date on which the Construction Loan is paid in full.

"Mortgage" or "Mortgages" means one or more mortgages, in substantially the form of Exhibit D to this Credit Agreement and covering all or any of the Properties, as the same may be amended from time to time, duly executed by the applicable Mortgagor in favor of Lender.

"Mortgagor" means the Alexander's of Rego Park II, Inc., Alexander's of Rego Park III, Inc., and Alexander's of Third Avenue, Inc. or other mortgagor under a Mortgage, provided that any Mortgagor shall cease to be a Mortgagor upon the release or satisfaction of that Mortgagor's mortgage.

"Note" or "Notes" means, collectively, the promissory notes of the Borrower payable to the order of the Lender, in substantially the form of Exhibit A hereto, as amended from time to time, evidencing the indebtedness of the Borrower to the Lender resulting from the Loan made by the Lender.

"Obligation" means, with respect to any Person, any obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any proceeding referred to in Section 7.01(f). Without limiting the generality of the foregoing, the Obligations of the Loan Parties under the Loan Documents include (a) the obligation to pay principal, interest, charges, expenses, fees, reasonable attorneys' fees and disbursements, indemnities and other amounts payable by any Loan Party under any Loan Document and (b) the obligation to reimburse any amount in respect of any of the foregoing that the Lender, in accordance with the terms of the applicable Loan Document, may elect to pay or advance on behalf of such Loan Party.

"Other Taxes" has the meaning specified in Section 2.07(b).

"Other Vornado Loans" means, collectively (i) that certain loan in the principal amount of \$20,000,000 evidenced by a Credit Agreement dated as of even date herewith from Lender, as lender to Alexander's, as borrower; (ii) that certain loan in the principal amount of \$40,000,000 evidenced by an Amended and Restated Credit Agreement dated as of even date herewith from Lender, as lender, to 59th

Street Corporation, as borrower; (iii) that certain credit line in the maximum principal amount of \$50,000,000 evidenced by an Amended and Restated Credit Line Agreement dated as of even date herewith, from Lender, as lender, to Alexander's, as borrower; and (iv) the Reimbursement Facility.

"Participant" has the meaning set forth in Section 8.08.

"Permitted Encumbrances" has the meaning specified in the Mortgages.

"Permitted Liens" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) Liens for taxes, assessments and governmental charges or levies not yet due and payable; (b) Permitted Encumbrances; (c) with respect to any real property acquired by Borrower or any Subsidiary or Affiliate of Borrower after the date hereof, liens to which such property is subject as of the date of such acquisition, purchase money mortgages or other similar purchase liens and liens in favor of lenders providing construction or development financing in connection with such property provided, that all proceeds of such financings are used for construction or development of such property or the retirement of Existing Debt secured by one or more liens on such property; (d) Liens permitted to be incurred by Borrower pursuant to the terms of this Credit Agreement; (e) Liens in connection with taxes being contested in good faith in compliance with this Credit Agreement; (f) Liens securing the Construction Loan; and (g) any renewal or replacement of any Lien permitted pursuant to the foregoing clauses (a) through (g), inclusive, provided that any such renewal or replacement Lien secures Debt in an amount not in excess of the Debt secured by the Lien so renewed or replaced, provided, however, that notwithstanding the foregoing, the Lender shall not be required to subordinate to any Lien pursuant to this clause except as otherwise provided in this Credit Agreement.

"Permitted Related Owner" means any of (a) any Subsidiary now existing or hereafter created all shares of issued and outstanding capital stock of which are owned by the Borrower, (b) a corporation (x) 90% or more of the economic interests of which shall be held by the Borrower through the ownership of shares of preferred and/or common stock of such corporation and (y) 10% or less of the economic interests of which shall be held by an entity reasonably satisfactory to the Lender through the ownership of shares of common and/or preferred stock of such corporation; provided that such Subsidiary or corporation enters into a guaranty substantially in the form of the Guaranty pursuant to which it guarantees the obligations of the Borrower under the Notes, or (c) 731 Commercial LLC, 731 Residential LLC, 731 Commercial Holding LLC and 731 Residential Holding LLC. The conditions regarding share ownership set forth in clauses (x) and (y) above may be varied to the extent necessary for any income received by the Borrower to be described in Section 856(c)(2) of the Code or for the Borrower to continue to qualify as a REIT.

"Person" means an individual, partnership, limited liability company, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Pledge Agreement" means that certain Pledge Agreement substantially in the form of Exhibit G hereto.

"Prepayment Date" has the meaning specified in Section 2.03.

"Properties" means the properties listed on Schedule I to this Credit Agreement and any real property acquired by the Borrower or any Mortgagor after the Closing Date.

"Rego Park II Property" means the Property designated on Schedule I to this Credit Agreement as the "Rego Park II Property".

"Rego Park III Property" means the Property designated on Schedule I to this Credit Agreement as the "Rego Park III Property".

"REIT" means an entity described in Section 856(a) of the Code and entitled to the benefits of Section 857(a) of the Code.

"Reimbursement Facility" means the credit facility evidenced by the Reimbursement Agreement, dated the date hereof, by and among Alexander's, Inc., 731 Commercial LLC and 731 Residential LLC, as Obligor, and Vornado Realty, L.P.

"Secured Debt" means any Debt of the Borrower incurred after the Closing Date that is secured by any of the Properties and/or the Collateral and that otherwise contains terms and conditions satisfactory to the Lender.

"Subordinate Debt" means any Debt of the Borrower that is subordinated to the Loan Obligations under the Loan Documents on, and that otherwise contains, terms and conditions satisfactory to the Lender.

"Subsidiary" means, with respect to the Borrower, (i) in any corporation of which more than 50% of the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned or controlled by the Borrower, by the Borrower and one or more of its other Subsidiaries or by one or more of the Borrower's other Subsidiaries and (ii) 731 Commercial LLC, 731 Residential LLC, 731 Commercial Holding LLC and 731 Residential Holding LLC

"Taxes" has the meaning specified in Section 2.07(a).

"Third Avenue Property" means the Property designated in Schedule I to this Credit Agreement as the "Third Avenue Property".

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

SECTION 1.02. Computation of Time Periods. In this Credit Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.01(f) ("GAAP").

ARTICLE II.

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Loan. Ten Million and 00/100 Dollars has previously been advanced to Borrower and is outstanding as of the date hereof. The Lender agrees, on the terms and conditions hereinafter set forth, to make a single new advance to the Borrower on the Closing Date in an amount equal to Twenty-Five Million and 00/100 Dollars bringing the aggregate amount outstanding hereunder to Thirty-Five Million and 00/100 Dollars (\$35,000,000.00) (such sum being hereinafter referred to as the "Loan"). Amounts borrowed under this Section 2.01 and repaid or prepaid may not be reborrowed.

SECTION 2.02. Repayment. The Borrower shall repay to the Lender the aggregate principal amount of the Loan and all other Loan Obligations on the Maturity Date or on such earlier date as the Loan Obligations become due as provided in the Loan Documents.

SECTION 2.03. Prepayments. The Borrower may, upon at least two (2) days' notice to the Lender prepay all or any portion of the outstanding principal amount of the Loan, together with (i) accrued interest to the date of such prepayment on the principal amount prepaid and (ii) if the entire outstanding principal amount of the Loan is repaid, all other accrued and unpaid amounts due hereunder or under any other Loan Document.

SECTION 2.04. Interest. (a) Ordinary Interest. The Borrower shall pay interest on the unpaid principal amount of the Loan owing to the Lender from the Closing Date, until such principal amount shall be paid in full, payable in arrears on the fifteenth day of each month (each an "Interest Payment Date") at a rate per annum equal to the Interest Rate, but in no event shall the Loan be repaid later than the Maturity Date.

(b) Default Interest. From and after the Maturity Date and upon the occurrence and during the continuance of an Event of Default specified in Section 7.01 of this Credit Agreement,

the Borrower shall pay interest on (i) the unpaid principal amount of the Loan and (ii) the amount of any interest, fee or other amount due and payable hereunder which is not paid when due, from the date such amount shall be due until such amount shall be paid in full, in either clause (i) or (ii) payable immediately on the Maturity Date or on demand after such occurrence and during such continuance, at a rate per annum equal at all times to the Default Rate.

(c) Late Charges. In the event any payment of principal or any interest is not made within five (5) days after the date on which such amount first becomes due and payable, the Lender may, at its option, require the Borrower to make an additional payment to the Lender as a late charge in an amount equal to 5% of such overdue amount.

SECTION 2.05. Increased Costs. If, with respect to any assignee of the Lender or a Participant that is a bank (a "Bank Lender"), due to either (i) the introduction of or any change in or in the interpretation of any law or regulation (other than a law or regulation relating to taxes) or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the amount of capital required by such Bank Lender or authority to be maintained by such Bank Lender or any corporation controlling Bank Lender as a result of or based upon the existence of Bank Lender's commitment to lend hereunder then, upon demand by Bank Lender, the Borrower shall pay to Bank Lender, from time to time as reasonably specified by Bank Lender, additional amounts sufficient to compensate Bank Lender in the light of such circumstances, to the extent that Bank Lender reasonably determines such increase in capital to be allocable to the existence of the Loan.

SECTION 2.06. Payments and Computations. (a) The Borrower shall make each payment required to be made hereunder and under the Notes not later than 11:00 A.M., New York City time, on the day when due in U.S. dollars to the Lender at the Lender's Account in immediately available (same day) funds.

(b) All computations of interest and fees shall be made by the Lender on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Lender of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest.

(d) The Borrower covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury or similar law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Credit Agreement, the Notes or the other Loan Documents; and the Borrower (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Lender, but will suffer and permit the

execution of every such power as though no such law had been enacted. It is the intent of the Lender and the Borrower in the execution of the Notes, this Credit Agreement and all other instruments now or hereafter securing the Notes or executed in connection therewith or under any other written or oral agreement by the Borrower in favor of the Lender to contract in strict compliance with applicable usury law. In furtherance thereof, the Lender and the Borrower stipulate and agree that none of the terms and provisions contained in the Notes, this Credit Agreement or any other instrument securing the Notes or executed in connection herewith, or in any other written or oral agreement by the Borrower in favor of the Lender, shall ever be construed to create a contract to pay for the use, forbearance or detention of money, interest at a rate in excess of the maximum interest rate permitted to be charged by applicable law. Neither the Borrower nor any guarantors, endorsers or other parties now or hereafter becoming liable for payment of the Notes shall ever be required to pay interest on the Notes or on indebtedness arising under any instrument securing the Notes or executed in connection therewith, or in any other written or oral agreement by the Borrower in favor of the Lender, at a rate in excess of the maximum interest that may be lawfully charged under applicable law, and the provisions of this Section 2.06(d) shall control over all other provisions of the Notes, this Credit Agreement and any other instruments now or hereafter securing the Notes or executed in connection herewith or any other oral or written agreements that may be in apparent conflict herewith. The Lender expressly disavows any intention to charge or collect excessive unearned interest or finance charges in the event the maturity of the Notes is accelerated. If the maturity of the Notes shall be accelerated for any reason or if the principal of the Notes is paid prior to the end of the term of the Notes, and as a result thereof the interest received for the actual period of existence of the Loan exceeds the applicable maximum lawful rate, the Lender shall, at its option, either refund to the Borrower the amount of such excess or credit the amount of such excess against the principal balance of the Notes then outstanding and thereby shall render inapplicable any and all penalties of any kind provided by applicable law as a result of such excess interest. In the event that the Lender shall collect monies and/or any other thing of value that are then or at any time deemed to constitute interest that would increase the effective interest rate on the Notes to a rate in excess of that permitted to be charged by applicable law, an amount equal to interest in excess of the lawful rate shall, upon such determination, at the option of the Lender, be either immediately returned to the Borrower or credited against the principal balance of the Notes then outstanding, in which event any and all penalties of any kind under applicable law as a result of such excess interest shall be inapplicable. By execution of this Credit Agreement, the Borrower acknowledges that it believes the Loan to be non-usurious and agrees that if, at any time, the Borrower should have reason to believe, that the Loan is in fact usurious, it will give the Lender notice of such condition and the Borrower agrees that the Lender shall have ninety (90) days after receipt of such notice in which to make appropriate refund or other adjustment in order to correct such condition if in fact such exists.

SECTION 2.07. Taxes. (a) Any and all payments by the Borrower hereunder or under the Notes shall be made, in accordance with this Section 2.07, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings other than (i) net income taxes, franchise taxes and similar taxes imposed on the Lender or a Participant, (ii) any tax, assessment or other governmental charge that would not have been imposed but for the failure of the Lender or a purchaser of all or a portion of the Lender's or a Participant's rights and obligations under this Credit Agreement to comply with any certification, identification or other reporting requirements concerning the nationality, residence,

identity or connection with the United States of the Lender or a Participant, if compliance is required by statute or by regulation of the United States Treasury Department as a precondition to exemption from such tax, assessment or other governmental charge, (iii) any tax, assessment or other governmental charge that would not have been imposed but for either (a) a sale or other transfer of all or a portion of the Lender's or a Participant's rights and obligations under this Credit Agreement to a Person that is not an entity that is treated as a corporation organized or created under the laws of the United States or of any State for U.S. federal tax purposes or (b) Lender's merger or consolidation with, or transfer of substantially all of its assets to, another entity, and (iv) any tax, assessment or other governmental charge that would not have been imposed but for any present or former connection between the Lender or a Participant (or a shareholder of the Lender or a Participant) and the jurisdiction imposing such tax, assessment or other governmental charge, including, without limitation, the Lender or a Participant's being or having been a citizen or resident of, present or engaged in a trade or business in, such jurisdiction, but excluding a connection arising solely as a result of the Lender's having entered into, received payments under and enforced this Credit Agreement (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under the Notes to the Lender, (i) the sum payable shall be increased as may be necessary so that after making all required deductions for Taxes (including deductions ("Additional Taxes") applicable to additional sums payable pursuant to this sentence), the Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any present or future stamp, documentary, excise, property or similar taxes, charges or levies that arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, or otherwise with respect to, this Credit Agreement or the Notes (hereinafter referred to as "Other Taxes").

(c) The Borrower shall indemnify the Lender for the full amount of Taxes, and Other Taxes, paid by the Lender and any liability (including penalties, additions to tax, Additional Taxes, interest and expenses) arising therefrom or with respect thereto except as may arise as a result of the Lender's gross negligence or willful misconduct.

(d) Within 30 days after the date of any payment of Taxes, the Borrower shall furnish to the Lender, at its address referred to in Section 8.02, the original receipt of payment thereof or a certified copy of such receipt.

(e) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.07 shall survive the payment in full of principal and interest hereunder and under the Note.

SECTION 2.08. Payment of Certain Costs and Expenses. The Borrower shall pay to the Lender within five (5) days after demand therefor all reasonable costs and expenses (including reasonable attorneys' fees and disbursements) incurred by the Lender in connection with (i) the approval of any lease, (ii) the preparation, negotiation and execution of any non-disturbance agreement requested for any lease, (iii) review and approval of any plans,

construction contracts or any other documents relating to construction or development of a Property; and (iv) the assignment of any liens of the Mortgages pursuant to Section 7.08.

SECTION 2.09. Use of Proceeds. The proceeds of the Loan shall be available (and the Borrower agrees that it shall use such proceeds) only to provide working capital for the Borrower and its Subsidiaries.

ARTICLE III.

CONDITIONS OF LENDING

SECTION 3.01. Conditions Precedent to Funding Loan. The Loan shall be advanced by the Lender on or about the date hereof, or such later date as the Borrower and the Lender may otherwise agree, provided that the following conditions shall be conditions precedent to the obligations of the Lender hereunder to make the Loan:

(1) the representations and warranties of the Borrower contained herein shall be true and correct as of the Closing Date as if made on such date; and

(2) all costs and fees of the Lender (including attorney's fees and expenses) in connection with the Loan shall have been paid.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) Each Loan Party that is a corporation (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of its incorporation, (ii) is duly qualified and in good standing as a foreign corporation in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed is not reasonably likely to have a Material Adverse Effect and (iii) has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

(b) Each Loan Party that is a partnership or a limited liability company (i) is a partnership or a limited liability company duly formed and validly existing under the laws of the State of its formation, (ii) is duly qualified in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed is not reasonably likely to have a Material Adverse Effect and (iii) has all requisite partnership or a limited liability company power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

(c) The execution, delivery and performance by each Loan Party of this Credit Agreement, the Notes, each other Loan Document and each related document to which it is or is to be a party, and the consummation of the transactions contemplated herein and therein, are within such Loan Party's corporate, partnership or limited liability company powers, have been duly authorized by all necessary corporate, partnership or limited liability company action, and, to each such Loan Party's knowledge, do not (i) contravene such Loan Party's organizational documents, (ii) violate any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award, except where such violation is not reasonably likely to have a Material Adverse Effect except as set forth on Schedule II hereof, (iii) except as set forth on Schedule II hereof, conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting any Loan Party, any of its Subsidiaries or any of their properties, except where such conflict, breach or default is not reasonably likely to have a Material Adverse Effect or (iv) except for the Liens created by the Collateral Documents result in or require the creation or imposition of any Lien upon or with respect to any of the properties of any Loan Party or any of its Subsidiaries.

(d) Other than as set forth on Schedule III hereof, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for (i) the due execution, delivery, recordation, filing or performance by any Loan Party of this Credit Agreement, the Notes, any other Loan Document or related document to which it is or is to be a party, or for the consummation of the transactions contemplated hereby, (ii) the grant by any Loan Party of the Liens granted by it pursuant to the Collateral Documents, (iii) the perfection or maintenance of the Liens created by the Collateral Documents or (iv) the exercise by the Lender of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Collateral Documents.

(e) This Credit Agreement has been, and the Notes, each other Loan Document and each related document when delivered hereunder will have been, duly executed and delivered by each Loan Party thereto. This Credit Agreement is, and the Notes, each other Loan Document and each related document when delivered hereunder will be, the legal, valid and binding obligation of each Loan Party thereto, enforceable against such Loan Party in accordance with its terms.

(f) The Consolidated balance sheet of the Borrower and its Subsidiaries as of March 31, 2002, and the related Consolidated statement of income and cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, and the Consolidated balance sheet of the Borrower and its Subsidiaries as at March 31, 2002, and the related Consolidated statement of income and cash flows of the Borrower and its Subsidiaries for the nine months then ended, duly certified by the Chairman of the Board of Borrower or any other officer of Borrower, copies of which have been furnished to the Lender, fairly present, subject, in the case of said balance sheet as at March 31, 2002, and said statement of income and cash flows for the nine months then ended, to year-end audit adjustments, the Consolidated financial condition of the Borrower and its Subsidiaries as at such dates and the Consolidated results of the operations of the Borrower and its Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles applied on a consistent basis. Since March 31, 2002, there has been no Material Adverse Change.

(g) All financial statements delivered by any Loan Party to the Lender, are true, correct and complete in all material respects, fairly represent such Loan Party's financial condition as of the date hereof and thereof, and no information has been omitted that would make the information previously furnished misleading or incorrect in any material respect.

(h) To such Loan Party's knowledge, there is no action, suit, investigation, litigation or proceeding affecting any Loan Party not covered by insurance (subject to reasonable deductibles), including any Environmental Action, pending before any court, governmental agency or arbitrator that (i) would be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation) or (ii) purports to affect the legality, validity or enforceability of this Credit Agreement, the Notes, any other Loan Document or the consummation of the transactions contemplated hereby, and there has been no adverse change in the status or financial effect on any Loan Party of the Disclosed Litigation from that described on Schedule IV hereof.

(i) Except as set forth on Schedule V(a) hereof to such Loan Party's knowledge, the operations and properties of each Loan Party and each of its Subsidiaries comply in all material respects with all Environmental Laws, all necessary Environmental Permits have been obtained and are in effect for the operations and properties of each Loan Party and its Subsidiaries, each Loan Party and its Subsidiaries are in compliance in all material respects with all such Environmental Permits, and, no circumstances exist that would be reasonably likely to (i) form the basis of an Environmental Action against any Loan Party or any of its Subsidiaries or any properties described in the Mortgages or the 59th Street Property that could have a Material Adverse Effect or (ii) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

(j) Except as set forth in the environmental reports heretofore delivered to the Lender as set forth on Schedule V(b) hereof, none of the operations and properties of each Loan Party is listed or, to the knowledge of any Loan Party, proposed for listing on the National Priorities List under CERCLA or on the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the Environmental Protection Agency or any analogous state list of sites requiring investigation or cleanup or is adjacent to any such property. Except as would not have a Material Adverse Effect, no underground storage tanks, as such term is defined in 42 U.S.C. Section 6991, are located on any property in violation of applicable Environmental Laws. Except as set forth on the environmental reports heretofore provided to the Lender, the Borrower has no knowledge of any underground storage tank located on any Property adjoining any Property.

(k) Each Loan Party and each of its Subsidiaries has filed or has caused to be filed all income tax returns (Federal, state and local) required to be filed and has paid all taxes shown thereon to be due, together with applicable interest and penalties. The Borrower is not aware of any material unasserted claims for prior taxes against it for which adequate reserves satisfactory to the Lender have not been established.

(l) Each Mortgagor, and each of 731 Commercial LLC and 731 Residential LLC has good, marketable and insurable fee simple title to the real property described in the Mortgage executed and delivered by such Mortgagor and 59th Street Property, as applicable, free and clear

of all Liens, other than those disclosed on such Schedule and Liens created or permitted by the Loan Documents.

(m) Except as set forth on Schedule VI hereof, no Loan Party is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained herein or in any material agreement or instrument to which it is a party or by which it or any of its properties is bound.

(n) As of the date hereof, there has been no Material Adverse Change since the date of the most recent financial statements provided by the Borrower or such Loan Party to the Lender.

(o) No Loan Document or other document, certificate or statement furnished to the Lender by or on behalf of the Borrower or any other Loan Party contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. It is specifically understood by the Borrower that all such statements, representations and warranties shall be deemed to have been relied upon by the Lender as an inducement to make the Loan to the Borrower.

ARTICLE V.

COVENANTS

SECTION 5.01. Affirmative Covenants of the Borrower. So long as any portion of the Loan shall remain unpaid, the Borrower will, unless the Lender shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply, and cause each Mortgagor, 731 Commercial LLC and 731 Residential LLC, to comply, in all respects, with all applicable laws, rules, regulations and orders, except as set forth on Schedule VII hereof, or except where such non-compliance is not likely to have a Material Adverse Effect; and keep, and cause each Mortgagor, 731 Commercial LLC and 731 Residential LLC to keep, at all times in full force and effect all authorizations required for the continued use and operation of the properties of the Borrower and of each Mortgagor, 731 Commercial LLC and 731 Residential LLC, except as set forth on such Schedule.

(b) Payment of Taxes, Etc. Prepare and timely file all federal, state and local tax returns required to be filed by the Borrower and promptly pay and discharge all taxes, assessments and other governmental charges, imposed upon the Borrower or its income or any of its property, and cause each Subsidiary to do so, with respect to real estate taxes, before interest and penalties commence to accrue thereon and, with respect to all other taxes, before they become a Lien upon such property, except for those taxes, assessments and other governmental charges then being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary has maintained adequate reserves and with respect to which (i) there is a not a reasonable likelihood, in the judgment of the Lender, that the Borrower or the Lender shall be subject to any risk of criminal or material civil liability and (ii) there is not a reasonable likelihood, in the judgment of the Lender, that the Borrower's or any of its

Subsidiaries' properties shall be subject to the risk, respectively, of forfeiture or impairment, provided, however, that all real estate taxes must be paid when due. The Borrower shall submit to the Lender, upon request, an affidavit signed by the Borrower certifying that all federal, state and local income tax returns have been filed to date and all real property taxes, assessments and other governmental charges with respect to the Borrower's or any Subsidiary's properties have been paid to date.

(c) Compliance with Environmental Laws. Except as set forth on Schedule V(a) hereof, comply, and cause each of its Subsidiaries and all lessees and other Persons occupying its properties to comply, in all material respects, with all Environmental Laws and Environmental Permits applicable to its operations and properties, except where the non-compliance with such laws or the absence or non-renewal of such permits is not likely to have a Material Adverse Effect; obtain and renew all Environmental Permits necessary for its operations and properties, except where such non-compliance is not likely to have a Material Adverse Effect; and to the extent and in the timeframe required by applicable Environmental Law conduct, and cause each of its Subsidiaries to conduct, any investigation, study, sampling and testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Materials from any of its properties, in accordance with the requirements of all Environmental Laws; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to undertake any such cleanup, removal, remedial or other action to the extent that its obligation to do so is being contested in good faith and by proper proceedings and with respect to which (i) there is no reasonable likelihood of any risk of criminal or material civil liability to the Lender, (ii) there is no reasonable likelihood that the Borrower's or any of its Subsidiaries' properties or the lien of the Mortgages shall be subject to the risk, respectively, of forfeiture or impairment and (iii) appropriate reserves are being maintained with respect to such circumstances.

(d) Maintenance of Insurance. Maintain and cause each Mortgagor, 731 Commercial LLC and 731 Residential LLC, to maintain, insurance with responsible and reputable insurance companies or associations in such amounts (subject to reasonable deductibles) and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates and as otherwise required by the Mortgages, provided, however, that Borrower shall cause the Mortgagors to maintain the insurance required by the Mortgages and shall cause 731 Commercial LLC and 731 Residential LLC to maintain the insurance required by the Loan Agreements.

(e) Preservation of Corporate, Partnership or Limited Liability Company Existence, Etc. Preserve and maintain, in full force and effect, and cause each Mortgagor and each other Subsidiary, where applicable, to preserve and maintain its corporate, partnership or limited liability company existence, rights (charter and statutory) and franchises and all authorizations and rights material to its business; provided, however, that neither the Borrower nor any Mortgagor or other Subsidiary shall be required to preserve any right or franchise if the Board of Directors or general partners of the Borrower or such Mortgagor or other Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Borrower or such or other Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to the Borrower, such Mortgagor or other Subsidiary or the Lender.

(f) Inspection Rights. At any reasonable time and from time to time, in each case upon reasonable prior notice, and at such times as shall not unreasonably disrupt tenants, permit the Lender or any agents or representatives thereof, to examine, audit and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and the Mortgagor, or other Subsidiary, and to discuss the affairs, finances and accounts of, the Borrower and any Mortgagor, or other Subsidiary, with any of their officers or directors and with their independent certified public accountants.

(g) Keeping of Books. Keep, and cause each Mortgagor and other Subsidiary to keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in accordance with generally accepted accounting principles in effect from time to time consistently applied.

(h) Compliance with Terms of Lease Agreements. Perform, and cause each Subsidiary to perform, timely all of the obligations, covenants and agreements of the landlord contained in any lease now or hereafter affecting any of the Properties and require the timely performance by the tenant of all of the obligations, covenants and agreements to be performed by such tenant.

(i) Approval of Leases. The Borrower shall not, and shall cause each Mortgagor and other Subsidiary not to, lease space at any of the Properties without the Lender's consent, which consent shall not unreasonably be withheld, provided, however, that no such consent of Lender shall be required for any lease of 10,000 square feet or less unless (i) such lease requires the Lender to provide a non-disturbance agreement to the lessee or (ii) such lease is not on commercially reasonable terms. It is hereby expressly acknowledged and agreed by the Lender that all leases at any Property identified on the certified rent roll delivered to the Lender prior to the date hereof are and shall be deemed to be approved.

(j) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under the Loan Documents with any of their Affiliates or any Permitted Related Owners on terms that are fair and reasonable and no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate. Transactions with the Lender, Vornado Realty Trust and any of its Affiliates pursuant to agreements existing as of the date hereof among Borrower or its Subsidiaries and Vornado Realty Trust and its Affiliates are approved.

(k) Maintenance of Properties. Maintain or cause to be maintained the Properties and all other items constituting Collateral.

(l) Compliance with Loan Documents. Comply and cause each Loan Party to comply with all of its covenants set forth in each of the Loan Documents.

(m) After Acquired Properties. Subject to the requirements of (i) liens existing at the time of acquisition, (ii) purchase money mortgage liens and (iii) liens in connection with construction or development financing which construction or development financing is reasonably acceptable to the Lender, grant to the Lender a valid mortgage lien on, or spread the

lien of a Mortgage to encumber, any real property acquired by Borrower or any Subsidiary after the date hereof. Reference is made to that certain Building Loan Agreement, dated as of July 3, 2002 (the "Building Loan Agreement"), by and among 731 Commercial LLC and 731 Residential LLC and Bayerische Hypo-und Vereinsbank, AG (the "Bank"), that certain Project Loan Agreement, dated as of July 3, 2002 (the "Project Loan Agreement"), and that certain Supplemental Loan Agreement, dated as of July 3, 2002 (the "Supplemental Loan Agreement" and together with the Building Loan Agreement and the Project Loan Agreement, the "Loan Agreements") pursuant to which the Bank will lend to 731 Commercial LLC and 731 Residential LLC a maximum of \$_____ million (the "Construction Loan") for the purposes of funding the cost of constructing a ___ square foot mixed residential/office/retail building at the property known as 731 Lexington Avenue, New York, New York (the "Project"). It is understood and agreed that so long as the Construction Loan (and any refinancing thereof that has been approved by Lender and that does not permit a mortgage in favor of Lender to be granted with respect to the 59th Street Property) shall remain outstanding, no such mortgage shall be required with respect to the 59th Street Property.

(n) Trust Fund. In compliance with Section 13 and Article 3-A of the Lien Law of the State of New York, receive all proceeds of the Loan and hold the right to receive all such proceeds as a trust fund to be used first for the purpose of paying the cost of improvement, and apply all such proceeds first to the payment of the cost of improvement before using any part of such proceeds for any other purpose.

(o) Flushing Property. To keep at all times the ground lease covering the Flushing Property in full force and effect.

(p) Compliance with Terms of Loan Agreements and Other Contracts. Cause 731 Commercial LLC and 731 Residential LLC, as applicable, to timely perform all of the obligations, covenants and agreements of (i) the borrower in the Loan Agreements and the other Loan Documents (as such term is defined in the Loan Agreements), (ii) the owner under the Architect's Contract, the Construction Management Agreement and the Major Trade Contracts (as those terms are defined in the Loan Agreements) and (iii) the landlord under the Bloomberg Lease (as such term is defined in the Loan Agreements).

For purposes of this Section 5.01, the term "cause 731 Commercial LLC and/or 731 Residential LLC" (or any variation of such term) and the term "cause any Subsidiary" (or any variation of such term, but only as it relates to 731 Commercial LLC and/or 731 Residential LLC) shall mean for Borrower to take action in its capacity as the sole member of 731 Commercial Holdings LLC and the sole regular member of 731 Residential Holdings LLC, as the case may be, which entities are the sole members of 731 Commercial LLC and 731 Residential LLC, respectively.

SECTION 5.02. Negative Covenants. So long as any portion of the Loan Obligations shall remain unpaid, the Borrower (in its capacity as the sole member of 731 Commercial Holdings LLC and the sole regular member of 731 Residential Holdings LLC, which entities are the sole members of 731 Commercial LLC and 731 Residential LLC) will not,

or permit any other Loan Party or any Subsidiary that is the direct or indirect owner of a Property to, at any time, without the written consent of the Lender:

(a) Liens, Etc. Create, incur, assume or suffer to exist, or permit any Loan Party or Subsidiary to create, incur, assume or suffer to exist, any Lien on or with respect to any of its properties of any character (including, without limitation, accounts) whether now owned or hereafter acquired, or sign or file, or permit any Loan Party or Subsidiary to sign or file, under the Uniform Commercial Code of any jurisdiction, a financing statement that names the Borrower or any Mortgagor or any Subsidiary as debtor, or sign, or permit any Loan Party or Subsidiary to sign, any security agreement authorizing any secured party thereunder to file such financing statement, or assign or permit any Mortgagor or Subsidiary to assign, any accounts or other right to receive income, excluding, however, from the operation of the foregoing restrictions the following:

(i) Liens created by the Loan Documents or the Other Vornado Loan Documents;

(ii) Permitted Liens;

(iii) Liens otherwise consented to by the Lender in writing; and

(iv) Liens created by the Loan Agreements or the other documents entered into in connection with the Loan Agreements (and any refinancings of the Construction Loan approved by Lender or any workouts or additional financings by the holders of the Construction Loan to 731 Residential LLC and/or 731 Commercial LLC).

(b) Debt. Create, incur, assume or suffer to exist, or permit any Mortgagor or Subsidiary to create, incur, assume or suffer to exist, any Debt other than:

(i) Debt under the Loan Documents, or the Other Vornado Loan Documents;

(ii) Subordinate Debt or subordinated indebtedness approved by the Lender;

(iii) Debt secured by Permitted Liens; and

(iv) The Construction Loan and any other Debt incurred pursuant to the Loan Agreements (and any refinancings of the Construction Loan approved by Lender or any workouts or additional financings by the holders of the Construction Loan to 731 Residential LLC and/or 731 Commercial LLC).

(c) Mergers, Etc. Merge into or consolidate with any Person or permit any Person to merge into it, or permit any Loan Party or Subsidiary to do so, except that (i) any Loan Party may merge into or consolidate with any other Loan Party; provided that, in the case of any such consolidation, the Person formed by such consolidation shall be a wholly owned Subsidiary of the Borrower; provided further, that the Borrower shall pledge and grant to Lender a first priority perfected lien in and security interest on the capital stock or other equity interests of such Subsidiary owned by the Borrower to the Lender as further collateral for the Loan Obligations,

and (ii) any Subsidiary or Permitted Related Owner that is not a Loan Party may merge into or consolidate with any Subsidiary or Permitted Related Owner which is not a Loan Party.

(d) Investments in Other Persons. Purchase or acquire the obligations or stock of, or any other interest in, any Person (other than a Permitted Related Owner), except such investments as are made with surplus cash and do not expose the Borrower to any risk of loss in excess of the amount of cash invested.

(e) Loans, etc. Make, or permit any Mortgagor or Subsidiary to make, loans to any Person, other than to the Borrower, a wholly owned Subsidiary or a Permitted Related Owner.

(f) Dividends, Etc. Declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its capital stock or any warrants, rights or options to acquire such capital stock, now or hereafter outstanding (except that Permitted Related Owners may pay dividends to the Borrower) return any capital to its stockholders as such, make any distribution of assets, capital stock, warrants, rights, options, obligations or securities to its stockholders as such or issue or sell any capital stock or any warrants, rights or options to acquire such capital stock (except for capital stock issued by Permitted Related Owners), or permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any capital stock of the Borrower or any warrants, rights or options to acquire such capital stock or to issue or sell any capital stock or any warrants, rights or options to acquire such capital stock; provided, however, that nothing contained in this Section shall prohibit Borrower from (i) paying a dividend or making a distribution in the form of, or from the proceeds of an issuance of, subordinated indebtedness or otherwise (including, without limitation, payment in cash) as may reasonably be required, based upon the advice of counsel, to enable the Borrower to qualify as a REIT under the Code or (ii) paying a dividend or making a distribution from the proceeds of the issuance by the Borrower of equity securities.

(g) Change in Nature of Business. Make, or permit any Mortgagor to make, any material change in the nature of its business as carried on at the date hereof and will not, nor permit any Mortgagor or Subsidiary to, remove, demolish, materially alter, discontinue the use of, sell, transfer, assign, hypothecate, pledge or otherwise dispose of, except as permitted hereunder and for sales, transfers, assignments and pledges to Subsidiaries or Permitted Related Owners, any part of its assets necessary for the continuance of its business, as presently conducted and as presently contemplated, except in the normal course of business. Notwithstanding the foregoing, no Mortgagor or Subsidiary shall transfer any Property except to a Permitted Related Owner.

(h) Charter Amendments. Amend, or permit any Mortgagor or Subsidiary to amend, its certificate of incorporation or bylaws, partnership agreement, certificate of limited partnership, operating agreement or certificate of limited liability company.

(i) Accounting Changes. Make, or permit any Mortgagor to make or permit, any change in accounting policies or reporting practices, except as required by generally accepted accounting principles.

(j) Amendment, Etc. of Related Documents. Except as may be required in order for the Borrower to qualify as a REIT under the Code, with respect to (i) the Management Agreement, (ii) the Leasing Agreement, (iii) Major Leases, (iv) the Architect's Contract (as defined in the Loan Agreements to be executed in connection with the Construction Loan), (v) the Bloomberg Lease (as defined in the Loan Agreements), (vi) the Construction Management Agreement (as defined in the Loan Agreements), (vii) the Loan Agreements and other Loan Documents and (ix) the Major Trade Contracts (as defined in the Loan Agreements), cancel or terminate or consent to or accept any cancellation or termination thereof, amend, modify or change in any material manner any term or condition thereof, waive any material default under or any material breach of any material term or condition thereof, agree in any manner to any other amendment, modification or change of any material term or condition thereof or take any other action in connection therewith that would impair the value of the interest or rights of the Borrower or other Subsidiary thereunder or that would impair the rights or interests of the Lender, or permit any Mortgagor or other Subsidiary to do any of the foregoing.

(k) Future Speculative Development. Develop, or permit any Mortgagor or Subsidiary to develop, any undeveloped real property owned by the Borrower or such Mortgagor or Subsidiary in the absence of executed leases approved by Lender for more than 50% of the projected leasable space on such property; provided, that development of the Project shall be permitted.

(l) Negative Pledge. Except in connection with (i) Existing Debt, (ii) Secured Debt permitted hereby, (iii) Subordinate Debt permitted hereby, and (iv) Permitted Liens, but only to the extent expressly permitted herein, the Borrower shall not enter into any covenant or other agreement that prevents it or could prevent it in the future from pledging, granting a security interest in, mortgaging, assigning, encumbering or otherwise creating a lien on any of its property (whether real or personal, tangible or intangible, and now owned or hereafter acquired) in favor of the Lender, or that would be breached if the Borrower were to pledge, grant a security interest in, mortgage, assign, encumber or otherwise create a lien on any of its property (whether real or personal, tangible or intangible, and now owned or hereafter acquired) in favor of the Lender.

(m) Future Property Acquisition. Except as permitted in Section 6.01, acquire, or permit any Mortgagor or Subsidiary to acquire, any real property without the consent of the Lender and without executing and delivering or causing such Mortgagor or Subsidiary to execute and deliver any instrument the Lender may deem necessary or desirable to effectuate such real property becoming additional security for the Loan.

(n) Payments Under Subordinate Loan Documents. Make any payment in respect of any Subordinate Debt (i) at any time while any amount shall be due and owing under any of the Loan Documents or (ii) after the Loan shall have matured or the Lender shall have accelerated payment of the Loan pursuant to Section 7.01 or prepay any Subordinate Debt while at any time that any Loan Obligation remains unpaid.

(o) Transfer of Properties. Transfer title to any of the Properties except to (i) any Mortgagor, (ii) any Person described in clause (a) of the definition of Permitted Related Owner, (iii) any Person described in clause (b) of the definition of Permitted Related Owner or (iv) with

respect to the 59th Street Property, 731 Commercial LLC and 731 Residential LLC, or to the holders of the construction loan (or their nominee or nominees) as part of a deed in lien transaction, provided that, (x) in the case of clause (iii), a receiver of a Property sought to be transferred to such Permitted Related Owner has proposed to enter into a lease at such Property or take any other action which would materially adversely affect the Borrower's qualification as a REIT and the Borrower has given ten (10) days' notice to the Lender of its intention to transfer such Property to such Permitted Related Owner and (y) in the case of the 59th Street Property, residential condominium units may be sold.

(p) Issuance of Shares. Issue, or permit any Subsidiary (other than a Permitted Related Owner) to issue any shares of stock that are not issued as of the date hereof, except that notwithstanding this paragraph the Borrower shall be permitted to issue shares of stock at any time so long as, taking into account such issuance, Vornado Realty Trust and its Affiliates (including for this purpose Interstate Properties) shall continue to own in the aggregate not less than 20% of the outstanding shares of common stock of the Borrower, and, provided further, with respect to Borrower only, that an automatic exchange involving Excess Stock as defined in and pursuant to Borrower's Amended and Restated Certificate of Incorporation shall not be treated as an issuance of shares for the purposes of this Section.

SECTION 5.03. Reporting Requirements. So long as any portion of the Loan shall remain unpaid, the Borrower will, unless the Lender shall otherwise consent in writing, furnish to the Lender:

(a) Quarterly Financials. (i) As soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Borrower, Borrower's Quarterly Report on Form 10-Q for the preceding quarter as filed with the Securities and Exchange Commission (the "Commission"), containing unaudited financial statements as required by law; and (ii) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year, an unaudited consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such quarter and consolidating statement of operations and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding period of the preceding fiscal year, all in reasonable detail and represented to be true and correct (subject to year-end audit adjustments) by the Chairman of the Board of the Borrower or other officer of the Borrower.

(b) Annual Financials. (i) As soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, a copy of the Borrower's Annual Report on Form 10-K for such fiscal year as filed with the Commission; and (ii) as soon as available and in any event within 120 days after the end of each fiscal year, an unaudited consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year and an unaudited consolidating statement of operations and cash flows of the Borrower and its Subsidiaries for such fiscal year, represented to be true and correct by the Chairman of the Board of the Borrower or other officer of the Borrower.

(c) Litigation. Promptly after the commencement thereof, notice of all actions, suits, investigations, litigation and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting any Loan Party of the type described in Section 4.01(h), and promptly after the occurrence thereof, notice of any material adverse change in the status of the Disclosed Litigation from that described on Schedule IV hereof.

(d) Environmental Conditions. Promptly after the occurrence thereof, notice of any condition or occurrence that results in a material noncompliance by any Loan Party or any of its Subsidiaries with any Environmental Law or Environmental Permit or would be reasonably likely to (i) form the basis of an Environmental Action against any Loan Party or any of its Subsidiaries or any Property that could have a Material Adverse Effect or (ii) cause any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

(e) Financial Data for Each Property. Not later than 120 days after the end of each fiscal year, and not later than sixty (60) days after the end of each fiscal quarter, financial data in form reasonably satisfactory to the Lender relating to the operation of each of the Properties, including, without limitation, certified rent roll and summary of leases represented as true and correct by the Chairman of the Board of the Borrower or other officer of the Borrower.

(f) Budget. To the extent required and received under the Management Agreement, not less than 30 days prior to the commencement of each fiscal year, an annual operating budget relating to the Properties for the upcoming fiscal year including, without limitation, the projected gross rental income and projected operating expenses on a line item basis, provided, however, nothing herein contained shall be deemed to require the Borrower to comply with such budgets.

(g) Other Information. Such other information respecting the business, financial condition, operations, performance or properties of any Loan Party as the Lender may from time to time reasonably request.

SECTION 5.04. Covenants of the Lender. (a) The Lender hereby covenants to Borrower that it will not exercise any rights, including rights exercisable upon the occurrence of an Event of Default, that it has arising from or as a result of this Credit Agreement or any related agreement to cause Borrower or any Subsidiary of Borrower or any Permitted Related Owner to (i) enter into a lease or lease amendment that either (A) provides for payments that are based, directly or indirectly (including through sub-leasing), upon the net "income or profits" of any person (as defined in Section 856(d)(2) of the Code) or (B) requires Borrower or any Subsidiary of Borrower or any Permitted Related Owner to provide a service to a tenant, other than through an independent contractor (as defined in Section 856(d)(2) of the Code), where the provision of such service by Borrower or any of its Subsidiaries or any Permitted Related Owner would cause rents received by the Borrower or any of its Subsidiaries to fail to be "rents from real property" under Section 856(d)(2) of the Code, (ii) engage in a new line of business which (A) is unrelated to the development or leasing of real property and (B) would create a substantial risk, as a result of its generation of income not described in Section 856(c)(2) or (c)(3) of the Code, that Borrower would fail to qualify as a REIT under the Code or (iii) acquire an asset that would cause Borrower to fail to satisfy the asset test of Section 856(c)(5) of the Code; provided, however, that the foregoing covenants of this Section 5.04(a) shall not (x) preclude the Lender

from collecting amounts due to the Lender under this Credit Agreement or from foreclosing on any property securing such indebtedness or (y) be deemed to have been breached or violated by the Lender as a result of any act or action (including, without limitation, the execution of a lease) made, done or taken by any receiver for any property of any Loan Party (including a receiver appointed at the request of the Lender) unless a motion to compel such act or action was made by the Lender to the court which appointed such receiver.

(b) The Lender agrees to use reasonable efforts to preserve the confidentiality of any Confidential Information received by it from the Borrower except as required by law or court order.

(c) The Lender shall execute and deliver a non-disturbance agreement substantially in the form of Exhibit C hereto (with such changes as the Lender may reasonably request) in connection with any lease approved by the Lender pursuant to Section 5.01(i) where the tenant is a nationally recognized credit-worthy retail tenant, provided that the tenant under such Lease shall require such non-disturbance agreement.

ARTICLE VI.

SPECIAL PROVISIONS

SECTION 6.01. Condemnation and Casualty. (a) In the event of any condemnation or casualty of any Property in part or in the entirety, the proceeds of such condemnation or casualty, to the extent not retained or otherwise applied by the holder of any mortgage securing Senior Debt on such Property, or by the holder of the Construction Loan, applied as required pursuant to any Major Lease approved by the Lender at the Property or applied by such mortgagee or in accordance with such Major Lease either to restore the improvements on such Property or to reduce such Senior Debt or the Construction Loan, as applicable, applied as required pursuant to any condominium declaration and/or related by-laws affecting any Property that has previously been approved by Lender to restore the improvements on such Property or applied in accordance with the Loan Documents, shall be immediately deposited by Borrower in a cash collateral account to be maintained by Borrower at a depository designated by Lender and under the sole dominion and control of Lender (the "Cash Collateral Account") pursuant to a cash collateral agreement to be entered into between Borrower, Lender and such Depository (the "Cash Collateral Agreement"); (such proceeds of condemnation so deposited being herein called "Condemnation Proceeds"; such proceeds of casualty so deposited being herein called "Casualty Proceeds"; and Condemnation Proceeds and/or Casualty Proceeds being herein called "Proceeds") and shall constitute additional collateral for the Loan Obligations.

(b) Provided that no Default or Event of Default shall have occurred and be continuing, the Borrower shall be entitled to withdraw any Condemnation Proceeds from the Cash Collateral Account for the purpose of acquiring additional real estate assets with the consent of the Lender, which consent shall not be unreasonably withheld, provided that, subject to the Loan Documents, the Loan Agreements and the Other Vornado Loans (i) Borrower shall have delivered to Lender an appraisal for such real estate (x) for an amount at least equal to the amount of the Condemnation Proceeds sought to be withdrawn by the Borrower to purchase such

real estate and (y) issued by an appraisal company and in form and substance reasonably satisfactory to the Lender; (ii) the Borrower shall have delivered to Lender environmental, engineering and such other studies, reports, documents, title reports, violation searches and other information relating to such real estate as would be generally required by the Lender in accordance with good institutional lending practices, all of which studies, reports, documents and other information shall be in form and substance reasonably satisfactory to the Lender; (iii) the Lender shall be granted a priority lien mortgage on said real estate to further secure the Guaranty (the "Additional Mortgage"); (iv) the Borrower shall have delivered to Lender a paid-up mortgage title insurance policy in favor of Lender, insuring the Additional Mortgage as a second priority mortgage on such real estate, subject to no encumbrances or other title exceptions except those title exceptions which Lender reasonably determines are acceptable based on good institutional lending practices; and (v) the Borrower shall have paid all reasonable costs and expenses of the Lender (including reasonable attorneys' fees and expenses) incurred by the Lender in connection with the review of any of the foregoing conditions.

(c) The Borrower shall also have the right to withdraw the Condemnation Proceeds remaining in the Cash Collateral Account to pay for the cost of constructing improvements on any Property covered by any Mortgage, and the Borrower shall have the right to withdraw any Casualty Proceeds in the Cash Collateral Account to pay for the repair and restoration of improvements whose damage or destruction generated such Casualty Proceeds, provided that, in all cases, subject to the Loan Documents, the Loan Agreements and any condominium declaration and/or related by-laws affecting such Property that has previously been approved by Lender and the Other Vornado Loans: (i) no Default or Event of Default shall be continuing; (ii) the Lender shall have approved the plans and specifications for the construction of such improvements as well as the general contract and other major contracts to be entered into by the Borrower in connection with such construction, which approval will not unreasonably be withheld; (iii) the Lender shall have received such certification and assurances as Lender shall reasonably request to assure it that the cost of constructing the improvements as shown on the plans approved by Lender does not exceed the amount of the Proceeds sought to be withdrawn by the Borrower to pay for such improvements; and (iv) the Lender may impose such further conditions and restrictions upon the disbursement of such Proceeds as the Lender deems necessary or desirable, consistent with prudent institutional construction lending practices, to assure the completion of the proposed improvements subject to no liens or encumbrances (except Permitted Liens) and in accordance with the aforesaid approved plans and all applicable laws.

SECTION 6.02. Payment of REIT Dividends. In the event that the Borrower shall determine, upon the advice of counsel then generally used by Borrower for tax advice, that it shall be required to pay a dividend or make a distribution to stockholders in order to preserve its qualification as a REIT, whether or not the Proceeds shall have been applied as contemplated pursuant to Section 6.01 (b) or (c), then, anything herein to the contrary notwithstanding, the Borrower may, with the consent of the Lender (i) incur unsecured subordinated indebtedness for the purpose of paying such dividend or making such distribution or to pay such dividend or make such distribution in the form of subordinated indebtedness and/or (ii) withdraw Proceeds from the Cash Collateral Account to pay such dividend or make such distribution.

ARTICLE VII.

EVENTS OF DEFAULT

SECTION 7.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) the Borrower shall fail to pay (i) any principal of the Loan, when the same becomes due and payable or (ii) any other payment under any Loan Document, in each case under this clause (ii) within five days after notice of the same becoming due and payable; or

(b) any representation or warranty made by any Loan Party (or any of its officers) under or in connection with any Loan Document shall prove to have been incorrect in any material respect when made; or

(c) the Borrower shall fail to perform or observe, in any material respect, any term, covenant or agreement contained in Section 5.02; or

(d) except as otherwise specified in such Loan Document, any Loan Party shall fail to perform any other term, covenant or agreement contained in any Loan Document on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice (or such longer period, if any, as may be set forth in the applicable covenant or agreement) thereof shall have been given to the Borrower by the Lender; or

(e) any Loan Party or any of its Subsidiaries shall fail to pay any principal of, premium or interest on or any other amount payable in respect of or any Subordinated Debt of such Loan Party or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable notice and grace period, if any, specified in the agreement or instrument relating to such Subordinated Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Subordinated Debt and shall continue after the applicable notice and grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate the maturity of such Subordinated Debt or otherwise to cause such Subordinated Debt to mature; or any such Subordinated Debt shall be declared to be due and payable or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Subordinated Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(f) any Loan Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Loan Party seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted

against it (but not instituted by it) that is being diligently contested by it in good faith, either such proceeding shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or any substantial part of its property) shall occur; or any Loan Party shall take any corporate action to authorize any of the actions set forth above in this subsection (f); or

(g) any judgment or order for the payment of money in excess of \$500,000 shall be rendered against any Loan Party, and either (i) enforcement proceedings shall have been commenced and be continuing by any creditor upon such judgment or order or (ii) there shall be any period of 20 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) any non-monetary judgment or order shall be rendered against any Loan Party that is reasonably likely to have a Material Adverse Effect, and there shall be any period of 20 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(i) any material provision of any Loan Document after delivery thereof shall for any reason cease to be valid and binding on or enforceable against any Loan Party to it, or any such Loan Party shall so state in writing; or

(j) except as otherwise permitted under Section 5.02(a), any Collateral Document after delivery thereof shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected Lien on the Collateral purported to be covered thereby with the priority of liens set forth therein;

(k) any Event of Default (as such term is defined in any Loan Document) shall occur and be continuing;

(l) any Event of Default (as such term is defined in any loan document of the Other Vornado Loans) shall occur and be continuing; or

(m) any Event of Default (as such term is defined in the Loan Agreements of the Construction Loan) shall occur and be continuing;

then, and in any such event, the Lender may, by notice to the Borrower, declare the Loan Obligations, together with all interest thereon and all other amounts payable under this Credit Agreement and the other Loan Documents, to be forthwith due and payable, whereupon the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to any Loan Party under the United States Bankruptcy Code, the Notes, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VIII.

MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of this Credit Agreement or the Note, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower and the Lender, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 8.02. Notices, Etc. All notices and communications under this Credit Agreement shall be in writing and shall be given by either (a) hand-delivery, (b) facsimile transmission, (c) first class mail (postage prepaid), or (d) reliable overnight commercial courier (charges prepaid)

(i) if to the Borrower, to:

Alexander's Inc.
c/o Vornado Realty Trust
210 Route 4 East
Paramus, New Jersey 07652-0910
Attention: Chief Financial Officer
Facsimile No.: (201) 587-0600

with a copy to:

Winston & Strawn
200 Park Avenue
New York, New York 10166
Facsimile No.: (212) 294-4700
Attention: Neil Underberg

and

Vornado Realty Trust
888 Seventh Avenue
New York, New York 10019
Attention: President
Facsimile No.: (212) 894-7070

(ii) if to the Lender, to:

VORNADO LENDING L.L.C.
c/o Vornado Realty Trust
210 Route 4 East
Paramus, New Jersey 07652-0910
Attention: Chief Financial Officer
Facsimile No.: (201) 587-0600

Notice shall be deemed to have been given and received: (i) if by hand delivery, upon delivery; (ii) if by facsimile, upon transmission; (iii) if by mail, three (3) calendar days after the date first deposited in the United States mail; and (iv) if by overnight courier, on the date scheduled for delivery. A party may change its address by giving written notice to the other party as specified herein.

SECTION 8.03. No Waiver; Remedies. No failure on the part of the Lender to exercise, and no delay in exercising, any right hereunder or under the Notes shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs, Expenses. (a) The Borrower agrees to pay on demand (i) all reasonable costs and expenses of the Lender in connection with the preparation, execution, delivery, administration, modification and amendment of the Loan Documents (including, without limitation, the reasonable fees and expenses of counsel for the Lender with respect thereto) and (ii) all reasonable costs and expenses of the Lender in connection with the enforcement of the Loan Documents, whether in any action, suit or litigation, any bankruptcy, insolvency or other similar proceeding affecting creditors' rights generally or otherwise (including, without limitation, the reasonable fees and expenses of counsel for the Lender with respect thereto).

(b) The Borrower agrees to indemnify and hold harmless the Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with (i) the transactions contemplated hereby, (ii) the actual or alleged presence of Hazardous Materials on any property or any Environmental Action relating in any way to any Loan Party or any of its Subsidiaries, (iii) disputes with any architect, general contractor, subcontractor, materialman or supplier, or on account of any act or omission to act by the Lender in connection with any Property, (iv) any untrue statement of a material fact contained in information submitted to the Lender by the Borrower or the omission of any material fact necessary to be stated therein in order to make such statement not misleading or incomplete, (v) the failure of the Borrower or any Loan Party to perform any obligations required to be performed by the Borrower or any Loan Party under any Loan Document and (vi) the ownership, construction, occupancy, operation, use or maintenance of any of the Properties, in each case whether or not the transactions contemplated hereby are consummated, except (i) to the extent such claim, damage, loss, liability or expense is found to have resulted from any Indemnified Party's gross negligence or willful misconduct. Notwithstanding the foregoing provisions of this Section 8.04(b), the Borrower shall have no obligation to indemnify any Indemnified Party against, or hold it harmless from, (i) any judgment rendered by a court of competent jurisdiction against any Indemnified Party and in favor of the Borrower, or (ii) any legal fees and expenses incurred by the Indemnified Party in defending the action brought by the Borrower which resulted in such judgment in favor of the Borrower, but the foregoing provisions of this sentence shall not diminish or otherwise affect the

Borrower's liability for payment of all legal fees and expenses incurred by the Lender in enforcing the Lender's rights and remedies under any of the Loan Documents.

(c) In case any action shall be brought against the Lender or any other Indemnified Party in respect of which indemnity may be sought against the Borrower, the Lender or such other Indemnified Party shall promptly notify the Borrower and the Borrower shall assume the defense thereof, including the employment of counsel selected by the Borrower and reasonably satisfactory to the Lender, the payment of all costs and expenses and the right to negotiate and consent to settlement. The failure of the Lender to so notify the Borrower shall not relieve the Borrower of any liability it may have under the foregoing indemnification provisions or from any liability which it may otherwise have to the Lender or any of the other Indemnified Parties except to the extent that the Borrower incurs actual expenses or suffers actual monetary loss as a result of such failure to give notice. The Lender shall have the right, at its sole option, to employ separate counsel and as long as Borrower is complying with its indemnification obligations hereunder, the fees and disbursements of such separate counsel shall be paid by Lender. The Borrower shall not be liable for any settlement of any such action effected without its consent, but if settled with the Borrower's consent, or if there be a final judgment for the claimant in any such action, the Borrower agrees to indemnify and save harmless the Lender from and against any loss or liability by reason of such settlement or judgment.

(d) If any Loan Party fails to pay when due any costs, expenses or other amounts payable by it under any Loan Document, including, without limitation, fees and expenses of counsel and indemnities, such amount may be paid on behalf of such Loan Party by the Lender, in its sole discretion.

(e) The provisions of this Section 8.04 shall survive the repayment or other satisfaction of the Borrower's Obligations hereunder.

SECTION 8.05. Merger. This Credit Agreement and the other Loan Documents constitute the sole agreement of the parties with respect to the transactions contemplated herein and therein and supersede all oral negotiations and prior writings with respect thereto.

SECTION 8.06. Binding Effect. This Credit Agreement shall become effective when it shall have been executed by the Borrower and the Lender and thereafter shall be binding upon and inure to the benefit of the Borrower, the Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lender.

SECTION 8.07. Lender's Discretion. Except as otherwise specified in this Credit Agreement, whenever this Credit Agreement provides that the Lender's consent or approval is required, or that any action may be taken or not taken at the Lender's option, such consent or approval may be given or not, and such action may be taken or not, in the Lender's sole discretion. Any reference in this Credit Agreement to Lender's consent or approval being required shall be deemed to refer to Lender's prior consent or approval given in writing.

SECTION 8.08. Participations. (a) The Lender may sell participations in up to one-third of its rights and obligations under this Credit Agreement (including, without limitation,

of its Loan and the Notes held by it) (the purchaser of any rights and obligations being referred to herein as a "Participant"); provided, however, that (i) the obligations of the Borrower and the Lender under this Credit Agreement and the other Loan Documents shall remain unchanged, (ii) the Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower shall continue to deliver all notices, communications and payments solely to the Lender and any such notice, communication or payment shall be valid and effective for all purposes hereunder notwithstanding any such sale of participations. Upon the sale of any participation permitted hereunder, the Borrower shall cooperate with such reasonable requests of the Lender, at the sole expense of the Lender, to sever and split the note issued hereunder among the Lender and any Participants.

(b) The Lender may, in connection with any participation or proposed participation pursuant to this Section 8.08, disclose to the Participant or proposed Participant, any information relating to the Borrower furnished to the Lender by or on behalf of the Borrower; provided, however, that, prior to any such disclosure, the Participant or proposed Participant shall agree to preserve the confidentiality of any Confidential Information received by it from the Lender.

(c) Notwithstanding any other provision set forth in this Credit Agreement, the Lender may at any time create a security interest in all or any portion of its rights under this Credit Agreement (including, without limitation, the Loan and the Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 8.09. Governing Law. This Credit Agreement and the Note shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.10. Execution in Counterparts. This Credit Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Credit Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Credit Agreement.

SECTION 8.11. Waiver of Jury Trial. Each of the Borrower and the Lender hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to any of the Loan Documents, the Loan or the actions of the Lender in the negotiation, administration, performance or enforcement thereof. The Borrower acknowledges and agrees that this section is a specific and material aspect of this Credit Agreement and that the Lender would not extend credit to the Borrower if the waiver set forth in this section were not a part of this Credit Agreement.

SECTION 8.12. Jurisdiction. The Borrower irrevocably appoints each and every owner, partner and/or officer of the Borrower as its attorneys upon whom may be served, by regular or certified mail at the address set forth herein, any notice, process or pleading in any action or proceeding against it arising out of or in connection with this Credit Agreement or any other Loan Document; and the Borrower hereby consents that any action or proceeding against it may be commenced and maintained in any court within the State of New Jersey or the State of

New York or in the United States District Court for the District of New Jersey or the United States District Court for the Southern District of New York by service of process on any such owner, partner and/or officer; and the Borrower agrees that the courts of the State of New Jersey and the courts for the State of New York and the courts for the United States District Court for the District of New Jersey and the courts for the United States District Court for the Southern District of New York shall have jurisdiction with respect to the subject matter hereof and the person of the Borrower and all collateral securing the obligations of the Borrower. The Borrower agrees not to assert any defense to any proceeding initiated by the Lender in such court based upon improper venue or inconvenient forum. The foregoing shall not limit, restrict or otherwise affect the right of the Borrower or the Lender to commence any action on this Credit Agreement or any other Loan Document in any other courts having jurisdiction.

SECTION 8.13. Continuing Enforcement. If, after receipt of any payment of all or any part of the Borrower's Obligations hereunder, the Lender is required by law in connection with insolvency, fraudulent conveyance, bankruptcy or similar proceedings to surrender such payment then this Credit Agreement and the other Loan Documents shall continue in full force and effect, and the Borrower shall be liable for, and shall indemnify defend and hold harmless the Lender with respect to the full amount so surrendered. The provisions of this Section 8.13 shall survive the termination of this Credit Agreement and the other Loan Documents and shall remain effective notwithstanding the payment of the Borrower's Obligations hereunder, the cancellation of the Notes or any other Loan Document, the release of any security interest, lien or encumbrance securing the Borrower's Obligations hereunder or any other action which the Lender may have taken in reliance upon its receipt of such payment. Any cancellation, release or other such action by the Lender shall be deemed to have been conditioned upon any payment of the Borrower's Obligations hereunder having become final and irrevocable.

* * *

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Credit Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ALEXANDER'S, INC.

By: /s/ Brian Kurtz

Name: Brian Kurtz

Title: Assistant Secretary

VORNADO LENDING L.L.C.

By: /s/ Joseph Macnow

Name: Joseph Macnow

Title: Executive Vice President

SCHEDULE I
PROPERTIES

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

59TH STREET PROPERTY

Address: 162-64 East 59th St. a/k/a 976-88 Third Ave.
135-39 East 58th St. a/k/a 723-33 Lexington Ave.
136-40 East 59th St. a/k/a 735-41 Lexington Ave.
New York, New York

Tax Map Designation:

Block: 1313 Lots: 40, 42, 43, 50
City: New York County: New York State: New York

REGO PARK II PROPERTY

Address: Junction Boulevard
Rego Park, New York

Tax Map Designation:

Block: 2080 Lot: 101

REGO PARK III PROPERTY

Address: Junction Boulevard
Rego Park, New York

Tax Map Designation:

Block: 2077 Lot: 90 and 98
Block: 2076 Lot: 50 and 63

THIRD AVENUE PROPERTY

Address: 2948-54 Third Avenue
633 Bergen Avenue;
2964 Third Avenue; and
2970 Third Avenue
Bronx, New York

Tap Map Designation:

Section: 9 Block: 2362 Lots: 44, 72, 71, 52 & 53
City: New York County: Bronx State: New York

SCHEDULE II
CONFLICTS UNDER LOAN DOCUMENTS

1. Completing recordation and filing of the Mortgages and other documents.

SCHEDULE III
REQUIRED AUTHORIZATIONS

1. Recording Mortgages and making other security filings.

SCHEDULE IV
DISCLOSED LITIGATION

1. Claims in process in the Bankruptcy Proceeding as set forth in attached Schedule IV-A.

SCHEDULE V(a)
ENVIRONMENTAL NON-COMPLIANCE

1. Environmental matters disclosed in Alexander's, Inc. quarterly report on Form 10-Q for the quarter ended September 30, 1994, et. seq.

SCHEDULE V(b)
ENVIRONMENTAL REPORTS

Phase I Environmental Site Assessments prepared for Alexander's, Inc., 31 West 34th Street, Seventh Floor, New York, NY 10001 and prepared by Certified Engineering & Testing Company, Inc., 444 Park Avenue South, Suite 702, New York, NY 10016:

1. Roosevelt Avenue & Main Street, 136-20 Roosevelt Avenue, Flushing, New York 11354 (December 1, 1993)
2. Alexander's Department Store, 96-05 Queens Boulevard, Rego Park, New York 11374 (December 1, 1993)
3. Third Avenue & 152nd Street, Bronx, New York (December 1, 1993)
4. East 59th Street & Lexington Ave., 731-733 & 735-741 Lexington Ave., 982-988 & 976-980 Third Ave., New York, New York 10022 (December 1, 1993)

SCHEDULE VI
DEFAULTS UNDER MATERIAL AGREEMENTS

(None)

SCHEDULE VII
NON-COMPLIANCE WITH LAWS

(None)

EXHIBIT A
FORM OF NOTE

A-1

EXHIBIT B
FORM OF GUARANTY

D-1

EXHIBIT C
FORM OF NON-DISTURBANCE AGREEMENT

D-1

EXHIBIT D
FORM OF MORTGAGE

D-1

EXHIBIT E
FORM OF ASSIGNMENT OF COLLATERAL ACCOUNT AND SECURITY AGREEMENT

D-1

EXHIBIT F
FORM OF DEPOSIT ACCOUNT CONTROL AGREEMENT

D-1

EXHIBIT G
FORM OF PLEDGE AGREEMENT

D-1

STATE OF)
)
COUNTY OF) ss.:

On the 2nd day of July, in the year 2002, before me, the undersigned, personally appeared Joseph Macnow , 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/ Leon T. Busted

Notary Public Leon Busted
My commission expires: Nov. 30, 2002

BUILDING LOAN AGREEMENT

Dated as of July 3, 2002

Between

731 COMMERCIAL LLC and 731 RESIDENTIAL LLC,
collectively, as Borrower,

and

BAYERISCHE HYPO- UND VEREINSBANK AG,
NEW YORK BRANCH,

as Agent,

and

THE LENDERS NAMED HEREIN,
as Lenders

TABLE OF CONTENTS

	Page

I. DEFINITIONS; PRINCIPLES OF CONSTRUCTION	
Section 1.1 Definitions.....	1
Section 1.2 Principles of Construction.....	33
II. THE LOAN	
Section 2.1 The Loan and Advances.....	34
2.1.1 Agreement to Lend and Borrow.....	34
2.1.2 No Reborrowings.....	34
2.1.3 The Note.....	34
2.1.4 Use of Proceeds.....	34
2.1.5 Loan Term and Extension Options.....	34
2.1.6 Preliminary Project Report and Budget.....	36
2.1.7 Budget Reallocations.....	36
2.1.8 Advances.....	37
2.1.9 Advances for Stored Materials.....	37
2.1.10 Amount of Advances.....	40
2.1.11 Loan Balancing.....	40
2.1.12 Quality of Work.....	41
2.1.13 Required Equity.....	41
Section 2.2 Interest Rate.....	42
2.2.1 Interest.....	42
2.2.2 Minimum Amounts and Maximum Number of Interest Periods.....	43
2.2.3 Certain Notices.....	43
2.2.4 Additional Costs.....	44
2.2.5 LIBO Rate.....	46
2.2.6 Illegality.....	46
2.2.7 Breakage Costs.....	47
2.2.8 Withholding Taxes.....	47
Section 2.3 Usury Savings.....	48
2.3.1 Usury Savings.....	48
Section 2.4 Loan Payments.....	48
2.4.1 Payment Before Maturity Date.....	48
2.4.2 Payment on Maturity Date.....	48
2.4.3 Late Payment Premium.....	48
2.4.4 Interest Rate and Payment After Default.....	49
2.4.5 Method and Place of Payment.....	49
Section 2.5 Prepayment.....	49
2.5.1 Voluntary Prepayments.....	49
2.5.2 Mandatory Prepayments.....	50

	Page	

2.5.3	Miscellaneous.....	50
Section 2.6	Payments Not Conditional.....	50
2.6.1	Payments Not Conditional.....	50
Section 2.7	Conditions Precedent.....	50
2.7.1	Conditions Precedent.....	50
Section 2.8	Interest and Fee Advances.....	51
2.8.1	Interest and Fee Advances.....	51
Section 2.9	Conditions Precedent to Disbursement of Building Loan Proceeds.....	51
2.9.1	Conditions of Initial Advance.....	51
2.9.2	Conditions of Subsequent Advances.....	56
2.9.3	Conditions of Final Construction Advance.....	59
2.9.4	Special Conditions for Certain Advances.....	60
2.9.5	No Reliance.....	61
Section 2.10	Borrowing Procedures.....	61
2.10.1	Draw Requests.....	61
2.10.2	One Advance Per Month.....	62
2.10.3	Advances to Pay Interest, Fees and Expenses.....	62
2.10.4	Procedure of Advances.....	62
2.10.5	Funds Advanced.....	64
2.10.6	Direct Advances to Third Parties.....	64
2.10.7	Advances During Extension Periods.....	65
2.10.8	Advances Do Not Constitute a Waiver.....	65
2.10.9	Trust Fund Provisions.....	66
2.10.10	Intentionally Omitted.....	66
2.10.11	Advances and Disbursements Under Completion Guaranty.....	66

III. REPRESENTATIONS AND WARRANTIES

Section 3.1	Borrower Representations.....	66
3.1.1	Organization.....	66
3.1.2	Proceedings.....	66
3.1.3	No Conflicts.....	67
3.1.4	Litigation.....	67
3.1.5	Governmental Orders.....	67
3.1.6	Consents.....	67
3.1.7	Title.....	67
3.1.8	No Plan Assets.....	68
3.1.9	Compliance.....	68
3.1.10	Financial and Other Information.....	69
3.1.11	Condemnation.....	69
3.1.12	Utilities and Public Access.....	69
3.1.13	Separate Lots.....	69
3.1.14	Assessments.....	69
3.1.15	Enforceability.....	69
3.1.16	Assignment of Leases.....	70
3.1.17	Insurance.....	70

	Page

3.1.18 Licenses.....	70
3.1.19 Flood Zone.....	70
3.1.20 Physical Condition.....	70
3.1.21 Boundaries.....	71
3.1.22 Leases.....	71
3.1.23 Filing and Recording Taxes.....	71
3.1.24 Single Purpose.....	71
3.1.25 Tax Filings.....	75
3.1.26 Solvency.....	75
3.1.27 Federal Reserve Regulations.....	75
3.1.28 Mezzanine Debt.....	76
3.1.29 Offices; Location of Books and Records.....	76
3.1.30 Intentionally Omitted.....	76
3.1.31 Construction Management Agreements.....	76
3.1.32 Access.....	76
3.1.33 No Default.....	76
3.1.34 Architect's Contract.....	76
3.1.35 Plans and Specifications.....	76
3.1.36 Zoning.....	77
3.1.37 Budget.....	77
3.1.38 Feasibility.....	77
3.1.39 Subway Agreement.....	77
3.1.40 Bloomberg Lease.....	77
3.1.41 Condominium Documents.....	77
3.1.42 Unit Contracts.....	77
3.1.43 ZLDA.....	78
3.1.44 Full and Accurate Disclosure.....	78
3.1.45 Foreign Person.....	78
3.1.46 Investment Company Act.....	78
3.1.47 Organizational Structure.....	78
3.1.48 Tax Certificates.....	78
3.1.49 Inclusionary Housing Program.....	78
Section 3.2 Continuing Effectiveness and Survival of Representations.....	79

IV. BORROWER COVENANTS

Section 4.1 Borrower Affirmative Covenants.....	79
4.1.1 Existence; Compliance with Legal Requirements.....	79
4.1.2 Taxes and Other Charges.....	80
4.1.3 Litigation.....	80
4.1.4 Access to Property.....	80
4.1.5 Further Assurances; Supplemental Mortgage Affidavits.....	80
4.1.6 Financial Reporting.....	81
4.1.7 Title to the Property.....	83
4.1.8 Estoppel Statement.....	83
4.1.9 Leases.....	83

	Page

4.1.10 Alterations.....	86
4.1.11 Financial Covenants.....	87
4.1.12 Updated Appraisal.....	87
4.1.13 Facility Fee and Administrative Fee.....	87
4.1.14 Interest Rate Protection Agreement.....	87
4.1.15 Construction Management Agreement.....	89
4.1.16 Architect's Contract.....	89
4.1.17 Insurance.....	89
4.1.18 Application of Loan Proceeds.....	89
4.1.19 Building Loan Costs and Expenses.....	90
4.1.20 Fees.....	90
4.1.21 Completion of Construction.....	90
4.1.22 Inspection of Property.....	91
4.1.23 Construction Consultant.....	91
4.1.24 Construction Consultant/Duties and Access.....	91
4.1.25 Correction of Defects.....	92
4.1.26 Books and Records.....	92
4.1.27 Indebtedness.....	92
4.1.28 Maintain Existence.....	93
4.1.29 Bonds.....	93
4.1.30 Financing Publicity.....	93
4.1.31 Easements and Restrictions; Zoning.....	93
4.1.32 Laborers, Subcontractors and Materialmen.....	94
4.1.33 Ownership of Personalty.....	94
4.1.34 Comply with Other Building Loan Documents.....	94
4.1.35 Purchase of Material Under Conditional Sale Contract.....	94
4.1.36 Further Assurance of Title.....	94
4.1.37 Condominium.....	94
4.1.38 Tax Benefits.....	100
4.1.39 Inclusionary Housing Program.....	101
4.1.40 ERISA.....	102
4.1.41 ZLDA.....	102
4.1.42 Subway Agreement.....	102
4.1.43 REA.....	103
Section 4.2 Borrower Negative Covenants.....	103
4.2.1 Due on Sale and Encumbrance; Transfers of Interests.....	103
4.2.2 Liens.....	104
4.2.3 Dissolution.....	104
4.2.4 Change in Business.....	104
4.2.5 Debt Cancellation.....	104
4.2.6 Affiliate Transactions.....	104
4.2.7 Zoning.....	104
4.2.8 Assets.....	105
4.2.9 No Joint Assessment.....	105
4.2.10 Principal Place of Business.....	105
4.2.11 ERISA.....	105

	Page

4.2.12 No Distributions.....	105
4.2.13 Change Orders.....	106
4.2.14 Indebtedness.....	108
4.2.15 Organizational Documents.....	108
V. INSURANCE, CASUALTY AND CONDEMNATION	
5.1.1 Insurance Coverage.....	108
5.1.2 Insurance Company.....	114
5.1.3 Existing Policy.....	114
Section 5.2 Casualty and Condemnation.....	115
5.2.1 Casualty.....	115
5.2.2 Condemnation.....	115
Section 5.3 Delivery of Net Proceeds.....	116
5.3.1 Minor Casualty or Condemnation.....	116
5.3.2 Major Casualty or Condemnation.....	116
5.3.3 Application of Net Proceeds.....	120
5.3.4 Disbursement Direction.....	120
VI. net cash flow FUNDS	
Section 6.1 Deposits of NCF Funds.....	120
6.1.1 Deposit of NCF Funds.....	120
6.1.2 Release of NCF Funds.....	120
Section 6.2 Intentionally Omitted.....	120
Section 6.3 Security Interest in Funds.....	120
6.3.1 Grant of Security Interest.....	120
6.3.2 Prohibition Against Further Encumbrance.....	121
6.3.3 Application of Funds.....	121
Section 6.4 Cash Management.....	121
6.4.1 Permitted Investments.....	121
6.4.2 Earnings on Fund Collateral; Monthly Statements.....	121
6.4.3 Income Taxes.....	121
VII. PROPERTY MANAGEMENT and rea	
Section 7.1 The Management Agreement.....	121
Section 7.2 Prohibition Against Termination or Modification.....	122
Section 7.3 Replacement of Manager.....	122
VIII. TRANSFERS	
Section 8.1 Agent's and Lenders' Reliance.....	123
Section 8.2 No Transfers.....	123
Section 8.3 Permitted Transfers.....	123
8.3.1 Permitted Transfers.....	123

IX. DEFAULTS

Section 9.1	Events of Default.....	124
Section 9.2	Rights and Remedies of Agent and Lenders.....	127
9.2.1	Remedies.....	127
9.2.2	Power of Attorney.....	131
9.2.3	Remedies Cumulative.....	131
9.2.4	Annulment of Defaults.....	131
9.2.5	Waivers.....	131
9.2.6	Course of Dealing, Etc.....	131
Section 9.3	Remedies Cumulative.....	132

X. MISCELLANEOUS

Section 10.1	Successors and Assigns.....	132
Section 10.2	Agent's and Lender's Discretion.....	132
Section 10.3	Governing Law, Jurisdiction and Agent for Service.....	132
Section 10.4	Modification, Waiver in Writing.....	134
Section 10.5	Delay Not a Waiver.....	134
Section 10.6	Notices.....	134
Section 10.7	Trial by Jury.....	136
Section 10.8	Headings.....	136
Section 10.9	Severability.....	136
Section 10.10	Preferences.....	136
Section 10.11	Waiver of Notice.....	137
Section 10.12	Remedies of Borrower.....	137
Section 10.13	Expenses; Indemnity.....	137
Section 10.14	Schedules and Exhibits Incorporated.....	139
Section 10.15	Offsets, Counterclaims and Defenses.....	140
Section 10.16	No Joint Venture or Partnership; No Third Party Beneficiaries.....	140
Section 10.17	Publicity.....	140
Section 10.18	[Reserved.].....	141
Section 10.19	Waiver of Offsets/Defenses/Counterclaims.....	141
Section 10.20	Conflict; Construction of Documents; Reliance.....	141
Section 10.21	Brokers and Financial Advisors.....	142
Section 10.22	Prior Agreements.....	142
Section 10.23	Joint and Several Liability.....	142
Section 10.24	Assignments.....	142
Section 10.25	Adjustments; Set-Off.....	145
Section 10.26	Counterparts.....	146

XI. AGENT

Section 11.1	Performance by Agent.....	146
Section 11.2	Actions.....	146
Section 11.3	Nonliability of Agent and Lenders.....	147

		Page
Section 11.4	Authorization and Action.....	148
Section 11.5	Agent's Reliance, Etc.....	150
Section 11.6	Agent as a Lender.....	151
Section 11.7	Distribution of Payments by Agent to Lenders.....	151
Section 11.8	Assignment Upon Repayment.....	151

Index to Schedules and Exhibits

SCHEDULES

SCHEDULE I	- Lenders' Ratable Share	
SCHEDULE II	- Form of Borrower's Requisition Letter (Construction Loans)	
SCHEDULE III	- Intentionally Omitted	
SCHEDULE IV	- Procedures for Updating Borrower's Requisition Spreadsheet (New York Projects) and Spreadsheet Form	
SCHEDULE V	- Intentionally Omitted	
SCHEDULE VI	- Form of Application and Certificate for Payment (AIA Document G702)	
SCHEDULE VII	- Form of Architect's Certificate	
SCHEDULE VIII	- Form of Borrowing Certificate	
SCHEDULE IX	- Form of Payment Receipt	
SCHEDULE X	- Form of Anticipated Cost Report	
SCHEDULE XI	- Form of Conditional Waiver of Lien and Release and Payment Receipt	
SCHEDULE XII	- Form of Unconditional Final Waiver of Lien and Release and Payment Receipt	
SCHEDULE XIII	- Funding Statement	
SCHEDULE XIV	- Form of Construction Manager's Certificate	
SCHEDULE XV	- Form of Major Trade Contractor's Performance Letter	
SCHEDULE XVI	- Forms of Architect's Certification and Consent Agreement and Architect's Completion Certificate	
SCHEDULE XVII	- Form of Agreement Regarding Instructions Given by Telephone or Facsimile	
SCHEDULE XVIII	- Form of Requisition Authorization Statement	
SCHEDULE XIX	- Borrower's Chief Executive Office Address, Jurisdiction of Organization, Organization Number Assigned by such Jurisdiction and Federal Employer's Identification Number	
SCHEDULE XX	- Form of Dual Oblige and Modification Rider to Bonds	
SCHEDULE XXI	- Form of Datedown Endorsement	
SCHEDULE XXII	- List of Affiliate Contracts	
SCHEDULE XXIII	- Intentionally Omitted	
SCHEDULE XXIV	- Conditional Assignment of Condominium Documents	
SCHEDULE XXV	- Form of Resignation of Officers and Directors	
SCHEDULE XXVI	- Form of Escrow Holder's Letter	
SCHEDULE XXVII	- Form of Intercreditor and Subordination Agreement	

SCHEDULE XXVIII	-	Form of SNDA
SCHEDULE XXIX	-	Form of Opinion re Condominium Conversion
SCHEDULE XXX	-	List of Title Insurance Companies
SCHEDULE XXXI	-	Form of Subordination of Property Management and Development Agreement and Subordination of Fees
SCHEDULE XXXII	-	Net Effective Rental Rates

EXHIBITS

EXHIBIT A	The Land
EXHIBIT B	Plans and Specifications
EXHIBIT C-1	Form of Interest Rate Protection Agreement
EXHIBIT C-2	Form of Assignment of Interest Rate Protection Agreement
EXHIBIT D	Form of Assignment and Acceptance
EXHIBIT E	Intentionally Omitted
EXHIBIT F	Section 22 Lien Law Affidavit (For Projects in New York)
EXHIBIT G	Borrower's Organizational Chart

BUILDING LOAN AGREEMENT

THIS BUILDING LOAN AGREEMENT, dated as of July 3, 2002 (as amended, restated, replaced, supplemented or otherwise modified from time to time, this "AGREEMENT"), between 731 COMMERCIAL LLC ("COMMERCIAL OWNER") and 731 RESIDENTIAL LLC ("RESIDENTIAL OWNER"), each a Delaware limited liability company, having its principal place of business at 888 Seventh Avenue, New York, New York 10019, collectively as Borrower ("BORROWER"), and BAYERISCHE HYPO- UND VEREINSBANK AG, NEW YORK BRANCH, a German banking corporation organized under the laws of the Federal Republic of Germany, having an address at 622 Third Avenue, New York, New York 10017, as administrative agent (including any of its successors and assigns, "AGENT") for itself and the other Lenders signatory hereto (collectively, together with such other co-lenders as may exist from time to time, "LENDERS").

All capitalized terms used herein shall have the respective meanings set forth in Article I hereof.

W I T N E S S E T H:

WHEREAS, Borrower desires to obtain the Loan from Lenders; and

WHEREAS, each Lender is severally willing to make the Loan to Borrower, subject to and in accordance with the conditions and terms of this Agreement and the other Loan Documents.

NOW, THEREFORE, in consideration of the covenants set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree, represent and warrant as follows:

I. DEFINITIONS; PRINCIPLES OF CONSTRUCTION

SECTION 1.1 DEFINITIONS.

For all purposes of this Agreement, except as otherwise expressly provided:

"ADA" shall mean the Americans with Disabilities Act of 1992, as amended from time to time.

"ADDITIONAL COSTS" shall have the meaning as set forth in Section 2.2.4(a).

"ADDITIONAL DEVELOPMENT RIGHTS" shall have the meaning as set forth in the definition of Bonus Area.

"ADDITIONAL INTEREST" shall mean any and all amounts that may become due and payable by Borrower pursuant to Section 2.2.4, Section 2.2.7 or Section 2.2.8.

"ADMINISTRATIVE FEE" shall mean, collectively, (i) that portion of the "Administrative Fee" under (and as defined in) the Loan Fee Letter allocable to the Building Loan and (ii) any additional administrative fee payable by Borrower to Agent pursuant to Section 2.10.2 for any calendar month in which more than one Advance of the Loan is made.

"ADVANCE" or "ADVANCES" shall mean any disbursement of the proceeds of the Building Loan by Lenders pursuant to the terms of this Agreement.

"AFFILIATE" shall mean, as to any Person, any other Person that (i) directly or indirectly, owns more than forty percent (40%) of, (ii) is in control of, is controlled by or is under common control with such Person or (iii) is a director or officer of such Person or of an Affiliate of such Person. As used in this definition the term "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management, policies or activities of a Person, whether through ownership of voting securities, by contract or otherwise.

"AFFILIATE CONTRACTS" shall mean those contracts listed on SCHEDULE XXII, as the same may be amended from time to time with the consent of Agent in accordance with the terms hereof.

"AGENT" shall mean Bayerische Hypo- und Vereinsbank AG, New York Branch, a German banking corporation organized under the laws of the Federal Republic of Germany, together with its permitted successors and assigns, acting in its capacity as administrative agent to the Lenders hereunder and under the other Loan Documents.

"AGENT'S REGISTER" shall have the meaning as set forth in Section 10.23.

"AGREEMENT REGARDING INSTRUCTIONS GIVEN BY TELEPHONE OR FACSIMILE" shall mean the Agreement Regarding Instruction Given by Telephone or Facsimile, dated the date hereof, which shall be in the form attached hereto as SCHEDULE XVII and shall be executed and delivered by Borrower to Agent contemporaneously herewith.

"ALEXANDER'S" shall mean Alexander's, Inc., a Delaware corporation, together with its successors and assigns.

"ALEXANDER'S REIMBURSEMENT AGREEMENT" shall have the meaning as set forth in Section 3.1.24.

"ALTA" shall mean American Land Title Association, or any successor thereto.

"ALTERATION THRESHOLD" shall mean Ten Million and No/100 (\$10,000,000.00) Dollars.

"ANNUAL BUDGET" shall mean the operating and capital budget for the Property setting forth Borrower's good faith estimate of Gross Revenue, Operating Expenses, and Capital Expenditures for the applicable Fiscal Year. The Annual Budget may be comprised of a separate operating and capital budget for each of the Residential Component and the Commercial Component, in which case, unless otherwise specified, references to the "Annual Budget" in this Agreement or any other Loan Document, shall be deemed to refer to such budgets collectively.

"APPLICABLE INTEREST RATE" shall mean either (i) the LIBOR Adjusted Rate plus the LIBOR Margin with respect to any period when the Loan (or the applicable portion thereof) is a LIBOR Loan or (ii) the Base Rate plus the Base Rate Margin with respect to any period when the Loan (or the applicable portion thereof) is a Base Rate Loan.

"APPLICABLE LENDING OFFICE" shall mean the related "Lending Office" of each Lender (or of an Affiliate of such Lender) designated for such Lender on the signature page hereof or such other Office of Lender (or of an Affiliate of Lender) as each Lender may from time to time specify to Borrower as the office by which the Loan is to be made and/or maintained by such Lender.

"APPROVAL", "APPROVED", "APPROVAL" or "APPROVED" shall mean, as the context so determines, an approval in writing given to the party seeking approval, subject, nevertheless, to the express provisions of this Agreement for which a "deemed approval mechanism" (as defined in Section 10.6) is set forth.

"APPROVED ACCOUNTANT" shall mean, with respect to a Person, the firm of certified public accountants that such Person uses for its filings with the Securities and Exchange Commission, or any other independent certified public accounting firm of nationally recognized standing reasonably approved by Agent.

"APPROVED LEASE FORM" shall mean, with respect to office space at the Property, Borrower's standard form of commercial office lease, which shall have been approved by Agent in its reasonable discretion, and with respect to retail space at the Property, Borrower's standard form of commercial retail lease.

"ARCHITECT'S CERTIFICATE" shall have the meaning as set forth in Section 2.9.1(e)(x).

"ARCHITECT'S CONTRACT" shall mean that certain contract for architectural services, dated as of January 1, 2001, between Borrower and Borrower's Architect.

"ASSIGNMENT AND ACCEPTANCE" shall have the meaning as set forth in Section 10.24(b)(vi).

"ASSIGNMENT OF CONTRACTS" shall mean that certain Assignment of Contracts, Licenses and Permits, dated the date hereof, from Borrower, as assignor, to Agent, as assignee.

"ASSIGNMENT OF INTEREST RATE PROTECTION AGREEMENT" shall mean that certain Assignment of Interest Rate Protection Agreement among Borrower, Agent and the Counterparty to the related Interest Rate Protection Agreement, to be entered into pursuant to Section 4.1.14.

"ASSIGNMENT OF LEASES" shall mean, collectively, the Building Loan Assignment of Leases, the Supplemental Loan Assignment of Leases and the Project Loan Assignment of Leases.

"ASSIGNMENT OF NEGOTIABLE CERTIFICATES" shall mean, with respect to each 421-a Negotiable Certificate, an undated assignment in blank, in form and substance satisfactory to

Agent, which shall be executed by Residential Owner and delivered to Agent on the Closing Date.

"AUTHORIZED REPRESENTATIVES" shall mean those Persons authorized pursuant to the Requisition Authorization Statement to execute and deliver on behalf of Borrower Borrower's Requisition.

"AWARD" shall mean any compensation paid by any Governmental Authority in connection with a Condemnation in respect of all or any part of the Property other than compensation paid to a Tenant for the value of its leasehold improvements (unless under the applicable Lease the landlord thereunder is entitled to receive the same) and moving expenses (it being agreed that no compensation shall be paid to any Tenant for the value of the unexpired term of its Lease without Agent's prior approval in its sole discretion).

"BASE BUILDING WORK" shall mean the construction of the Building substantially in accordance with the Plans and Specifications in a manner that will be sufficient to obtain a Zero Occupancy Certificate of Occupancy for the Commercial Component (excluding the retail space therein) and temporary certificates of occupancy for at least fifty percent (50%) of the Residential Units in the Residential Component, in accordance with all Legal Requirements and the Bloomberg Lease and the H&M Lease (to the extent that the H&M Lease then remains in effect). Without limiting the foregoing, Base Building Work shall include (without limitation) (a) construction and/or installation of (i) the structural components of the Building, (ii) the floor slabs of the Building, (iii) the Building core areas, (iv) the curtain wall of the Building, (v) the building systems described in the Plans and Specifications, (vi) the core and shell of the retail space in the Commercial Component, (vii) all demising walls for the Residential Units in the Residential Component and (viii) all interior finish work at the Building that is described in the Plans and Specifications and that is required to be performed to obtain a Zero Occupancy Certificate of Occupancy for the Commercial Component (excluding the retail space therein) and a temporary certificate of occupancy for at least fifty percent (50%) of the Residential Units in the Residential Component and (b) all "Work" (as such term is defined in the Bloomberg Lease) that is required to be performed by the landlord thereunder prior to the delivery of such space to Bloomberg and all "Initial Premises Work" (as such term is defined in the H&M Lease) that is required to be performed by the landlord thereunder (to the extent that the H&M Lease then remains in effect).

"BASE RATE" shall mean, as determined on a daily basis, the rate of interest per annum equal to the greater of (i) the Prime Rate in effect on that day or (ii) the Federal Funds Rate in effect on that day plus one half (-1/2) of one (1%) percent per annum.

"BASE RATE LOAN(S)" shall mean Loan(s) (or applicable portions thereof) having a rate of interest per annum equal to the Base Rate plus the Base Rate Margin.

"BASE RATE MARGIN" shall mean three quarters (3/4) of one (1%) percent per annum, provided that the "Base Rate Margin" shall be reduced and shall mean one quarter (1/4) of one (1%) percent per annum during the Extension Periods.

"BASIC RESIDENTIAL BUILDOUT WORK" shall mean all work beyond the core and shell that is necessary to finish and equip the Residential Units at the Building substantially in accordance with the Plans and Specifications with respect thereto or in accordance with a Qualifying Contract for a Residential Unit if the same exists, but shall exclude any such work that the purchaser under such contract is required to or has the right to perform.

"BLOOMBERG" shall mean Bloomberg, L.P., a Delaware limited partnership, together with its successors and assigns.

"BLOOMBERG LEASE" shall mean that certain lease between Commercial Owner (as successor to 731 LP), as Landlord, and Bloomberg, as Tenant, dated as of April 30, 2001, as amended by (i) letter agreement dated December 20, 2001, between 731 LP and Bloomberg, (ii) letter agreement dated January 30, 2002 between 731 LP and Bloomberg, (iii) First Amendment of Lease dated as of April 19, 2002 between 731 LP and Bloomberg and (iv) letter agreement dated July 3, 2002, between 731 LP and Bloomberg.

"BLOOMBERG STATEMENTS" shall have the meaning as set forth in Section 4.1.6(f).

"BONUS AREA" shall mean an additional 168,700 square feet of floor area development rights which has in part (to the extent of 139,879 square feet of floor area development rights) already been acquired (the "EXISTING DEVELOPMENT RIGHTS") and in part (to the extent of 28,821 square feet of floor area development rights) to be acquired by Borrower (the "ADDITIONAL DEVELOPMENT RIGHTS") with respect to the Property in order to permit Borrower to build the Improvements as contemplated by the Plans and Specifications.

"BORROWER" shall mean, collectively and individually as the context requires, Commercial Owner and Residential Owner, together with their respective permitted successors and permitted assigns.

"BORROWER'S ARCHITECT" shall mean Schuman, Lichtenstein, Claman & Efron.

"BORROWER'S DESIGNATED ACCOUNT" shall mean the bank account designated by Borrower pursuant to Borrower's Requisition Letter as the checking account at HVB or such other account as may be acceptable to Agent into which Advances shall be wired.

"BORROWER'S REQUISITION" shall have the meaning as set forth in Section 2.10.1.

"BORROWING DATE" shall have the meaning as set forth in Section 2.10.1.

"BUDGET LINE" shall have the meaning as set forth in Section 2.1.6.

"BUILDING" shall mean the building(s) to be constructed on the Land substantially in accordance with the Plans and Specifications.

"BUILDING LOAN" shall mean the loan made by Lenders to Borrower pursuant to this Agreement in the principal amount of up to the Building Loan Amount.

"BUILDING LOAN AMOUNT" shall mean Two Hundred Million and No/100 (\$200,000,000.00) Dollars.

"BUILDING LOAN ASSIGNMENT OF LEASES" shall mean that certain first priority Assignment of Leases and Rents, dated the date hereof, from Borrower, as assignor, to Agent, as assignee, as amended and/or restated from time to time, in conjunction with the filing of the Series Mortgages.

"BUILDING LOAN BUDGET" shall mean the budget (which may be set forth by way of a separate column on an overall project budget) for total estimated Building Loan Costs, dated the date hereof, prepared by Borrower and approved by Agent and the Construction Consultant, and all amendments and modifications thereto that occur in accordance with this Agreement.

"BUILDING LOAN COSTS" shall mean all costs and expenses of constructing the Improvements (including Hard Costs and Soft Costs) which are Costs of the Improvements.

"BUILDING LOAN DOCUMENTS" shall mean, collectively, this Agreement, the Building Loan Note, the Building Loan Mortgage, the Building Loan Assignment of Leases, the Assignment of Contracts, the Environmental Indemnity, the Loan Fee Letter, the Requisition Authorization Statement, the Funding Statement, the Agreement Regarding Instructions by Telephone or Facsimile, the Guaranty of Completion, the Guaranty of Carrying Costs, each Guaranty of Limited Recourse Obligations, the Assignment of Interest Rate Protection Agreement, Assignment of Negotiable Certificates, the Intercreditor and Subordination Agreement, the Subordination of Property Management and Development Agreement and Fees, as well as all other documents now or hereafter executed and/or delivered with respect to the Building Loan.

"BUILDING LOAN MORTGAGE" shall mean a series of consolidated mortgages, together constituting a first priority consolidated, amended and restated mortgage, assignment of leases and rents and security agreement, executed and delivered by Borrower, as mortgagor, to Agent, as mortgagee, as security for the Building Loan and encumbering the Property.

"BUILDING LOAN NOTE" shall have the meaning as set forth in Section 2.1.3.

"BUSINESS DAY" shall mean any day (other than a Saturday or Sunday) on which commercial banks are not authorized or required to close in New York City and, whenever such day relates to a LIBOR Loan, any such day on which dollar deposits are also carried out in the London interbank market and banks are also open for business in London, England.

"CAPITAL EXPENDITURES" for any period shall mean amounts expended for replacements and alterations to the Property and required to be capitalized according to GAAP.

"CAPPED LIBOR RATE" shall mean 7%.

"CASH COLLATERAL" shall mean, collectively, the "Cash Collateral" as defined in the Supplemental Loan Agreement and the Project Loan Agreement.

"CASUALTY" shall mean the occurrence of any casualty, damage or injury, by fire or otherwise, to the Property or any part thereof.

"CASUALTY CONSULTANT" shall have the meaning as set forth in Section 5.3.2(c).

"CASUALTY RETAINAGE" shall have the meaning as set forth in Section 5.3.2(d).

"CLAIM" shall have the meaning as set forth in Section 10.13(c).

"CLOSING DATE" shall mean the date of funding the Initial Advance of the Building Loan.

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

"COMMERCIAL COMPONENT" shall mean the portion of the Improvements designated for commercial (office and retail) use and that is owned by Commercial Owner.

"COMMERCIAL HOLDING" shall mean 731 Commercial Holding LLC, a Delaware limited liability company.

"COMMERCIAL OWNER" shall mean 731 Commercial LLC, a Delaware limited liability company, together with its permitted successors and assigns.

"COMPLETION OF BASE BUILDING WORK" shall mean that the Base Building Work has been substantially completed in substantial accordance with the Plans and Specifications, all Legal Requirements, all Permitted Encumbrances, the Bloomberg Lease, the H&M Lease (to the extent that the H&M Lease then remains in effect), and this Agreement, such compliance to be evidenced to the reasonable satisfaction of Agent and the Construction Consultant; together with the delivery to Agent of a Zero Occupancy Certificate of Occupancy for the Commercial Component (other than the retail space) and the Residential Units (except that Borrower shall not be required to provide a Zero Occupancy Certificate of Occupancy for the Residential Units at the Property if Borrower has instead provided to Agent a temporary certificate of occupancy for at least 50% of the Residential Units at the Property), and a certification which Agent may rely on from Borrower's Architect or such other recognized engineering or architectural firm, certifying that the Base Building Work has been substantially completed in substantial accordance with the Plans and Specifications therefor, and in any event the occurrence of the Commencement Date under (and as defined in) the Bloomberg Lease shall have occurred with respect to the Basic Premises (as defined in the Bloomberg Lease). With respect to the retail space and any other component of the Property as to which a Zero Occupancy Certificate of Occupancy is not available, Borrower shall obtain final inspections and sign-offs of all components of the Base Building Work for which inspections are required, to the extent that such inspections and sign-offs can be obtained at that point in the construction process.

"COMPLETION OF THE IMPROVEMENTS" shall mean that, in addition to the Completion of the Base Building Work, all Punch List Items with respect to the Base Building Work shall have been completed substantially in accordance with the Plans and Specifications,

all Legal Requirements, the Bloomberg Lease and this Agreement, and all Basic Residential Buildout Work with respect to the Property (excluding any work to be performed by or at the separate expense of a purchaser of a Residential Unit under a Qualifying Contract) shall have been completed substantially in accordance with the Plans and Specifications, all Legal Requirements, the Bloomberg Lease and this Agreement (excluding any retail or commercial space to the extent that the work necessary in order to obtain a certificate of occupancy for such space was not included in the Plans and Specifications or is the obligation of a Tenant to perform), such compliance to be evidenced to the reasonable satisfaction of Agent and the Construction Consultant; together with the delivery to Agent of a permanent or temporary certificate of occupancy (if subject to any conditions, such conditions being reasonably acceptable to Agent) for the Improvements (excluding any retail or commercial space to the extent that the work necessary in order to obtain a certificate of occupancy for such space was not included in the Plans and Specifications or is the obligation of a Tenant to perform and excluding any work to be performed by a purchaser of a Residential Unit under a Qualifying Contract) and evidence that all other Governmental Approvals have been issued and all other Legal Requirements have been satisfied so as to allow the use and occupancy of the Improvements (subject to the same exclusion as above provided) in accordance with the definition of "Improvements" set forth in this Agreement and in accordance with all Legal Requirements, the Offering Plan (if any) and the Bloomberg Lease.

"CONDEMNATION" 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.

"CONDITIONAL ASSIGNMENT OF CONDOMINIUM DOCUMENTS" shall have the meaning as set forth in Section 4.1.37(h)(iii).

"CONDOMINIUM ACT" shall mean Article 9-B of the New York Real Property Law (339-d et seq.) of the State of New York and all modifications, supplements and replacements thereof and all regulations with respect thereto, now or hereafter enacted or promulgated.

"CONDOMINIUM CONVERSION" shall mean, in the event that Borrower elects to convert the ownership of the Property to a condominium form of ownership in accordance with the Condominium Act, the date on which both of the following shall have occurred: (i) the declaration of condominium is filed in accordance with the provisions of Section 4.1.37 and all Legal Requirements and (ii) the closing of the sale and release pursuant to the terms hereof of the first Residential Unit to an unaffiliated third party pursuant to a Qualifying Contract.

"CONDOMINIUM DOCUMENTS" shall mean an offering plan, declaration of condominium, by-laws and rules and regulations of a condominium association.

"CONSTRUCTION CONSULTANT" shall mean Valcon Construction Consultants or such other Person as Agent may designate and engage as a replacement to inspect the Improvements and the Property as construction progresses and consult with and to provide advice to and to render reports to Agent, which Person may be, at Agent's option upon notice to Borrower, either

an officer or employee of Agent or consulting architects, engineers or inspectors appointed by Agent.

"CONSTRUCTION MANAGEMENT AGREEMENT" shall mean the Construction Management Agreement, dated September 1, 1999 between Borrower and Construction Manager and providing for the construction of the Improvements on the Land in accordance with the Plans and Specifications. Agent and Borrower confirm that the Guaranteed Maximum Price Contract, which is intended to be part of the Construction Management Agreement, has not yet been finalized. The Guaranteed Maximum Price Contract shall be subject to the reasonable approval of Agent and, upon execution by Borrower and Construction Manager, shall be deemed part of the Construction Management Agreement.

"CONSTRUCTION MANAGER" shall mean Bovis Lend Lease LMB, Inc.

"CONSTRUCTION MANAGER'S CERTIFICATE" shall have the meaning as set forth in Section 2.9.1(d)(xi).

"CONSTRUCTION SCHEDULE" shall mean the schedule, broken down by trade, of the estimated dates of commencement and completion of the Base Building Work and the Basic Residential Buildout Work certified by Borrower to Agent dated as of even date herewith and approved by the Construction Consultant prior to the date of this Agreement. The Construction Schedule shall reflect any and all milestone dates under the Bloomberg Lease by when construction of the Improvements to various stages of completion is required.

"COSTS OF THE IMPROVEMENT" shall mean those items defined as a "cost of improvement" under Section 2(5) of the Lien Law and, to the extent applicable, the hard costs incurred by Borrower in making an "improvement" as defined under Section 2(4) of the Lien Law.

"CONTINGENT AMORTIZATION" shall mean all Net Cash Flow required to be applied to reduce the principal amount of the Loan pursuant to Section 4.1.11 during the continuation of any Contingent Amortization Trigger Event.

"CONTINGENT AMORTIZATION TRIGGER EVENT" shall have the meaning as set forth in Section 4.1.11.

"COUNTERPARTY" shall mean each counterparty to, or issuer of, any Interest Rate Protection Agreement other than Borrower or an Affiliate of Borrower.

"DEBT" shall mean the outstanding principal amount of the Building Loan together with all interest accrued and unpaid thereon and all other sums (including, without limitation, any amounts payable to Lenders pursuant to Section 2.2) due to Lenders in respect of the Building Loan under the Building Loan Note, this Agreement, the Building Loan Mortgage, the Environmental Indemnity or any other Building Loan Document.

"DEBT SERVICE" shall mean, with respect to any particular period of time, scheduled principal and interest payments under the Note.

"DEBT SERVICE COVERAGE RATIO" shall mean, with respect to the Property, the ratio of (i) Pro Forma NOI projected forward for the twelve (12) calendar month period immediately succeeding the relevant Determination Date to (ii) Total Debt Service for such period. The Debt Service Coverage Ratio shall be calculated by Borrower and subject to verification by Agent and, as verified, shall be final absent manifest error.

"DEFAULT" shall mean the occurrence of any event under this Agreement or under any other Loan Document which, but for the giving of notice or passage of time, or both, would be an Event of Default.

"DEFAULT RATE" shall mean the rate of interest per annum equal to the sum of the Base Rate plus 5%.

"DEFAULTING LENDER" has the meaning as set forth in Section 2.10.4(c).

"DEFICIENCY" or "DEFICIENCIES" has the meaning as set forth in Section 2.10.4(c).

"DETERMINATION DATE" shall have the meaning as set forth in Section 4.1.11.

"DISBURSEMENT SCHEDULE" shall mean the schedule of the amounts of Advances anticipated to be requisitioned by Borrower each month during the term of the Building Loan dated as of the date hereof.

"DRAW REQUEST" shall mean, with respect to each Advance, Borrower's request for such Advance, and documents required by this Agreement to be furnished to Agent as a condition to such Advance.

"DSCR EVENT PERIOD" shall have the meaning as set forth in Section 4.1.11.

"ELIGIBLE ASSIGNEE" shall mean (i) any lender to Vornado or any of its Affiliates pursuant to its existing Revolving Credit Agreement (as defined in the Guaranty of Completion) (whether or not such Revolving Credit Agreement shall hereafter remain in effect), or pursuant to any replacement credit facility, (iii) GMAC and (ii) any other lender that is approved by Borrower, which approval shall not be unreasonably withheld or delayed.

"ELIGIBLE INSTITUTION" shall mean a depository institution or trust company insured by the Federal Deposit Insurance Corporation 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, and F-1+ by Fitch, Inc. in the case of accounts in which funds are held for thirty (30) days or less or, in the case of Letters of Credit or accounts in which funds are held for more than thirty (30) days, the long term unsecured debt obligations of which are rated at least "AA" by Fitch and S&P and "Aa2" by Moody's.

"ENVIRONMENTAL INDEMNITY" shall mean that certain Environmental Indemnity Agreement, of even date herewith, executed by Borrower and Alexander's, for the benefit of Agent and Lenders.

"EQUIPMENT" shall have the meaning as set forth in the granting clause of the Building Loan Mortgage.

"ERISA" shall have the meaning as set forth in Section 4.2.11(a).

"EUROCURRENCY LIABILITIES" shall have the meaning specified in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time and including any successor regulation thereto.

"EVENT OF DEFAULT" shall have the meaning as set forth in Section 9.1.

"EXCLUDED TAXES" means, with respect to Agent, each Lender or any other recipient of any payment to be made by or on account of any obligation of Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of such Lender, in which its Applicable Lending Office is located, and (b) any branch profits taxes imposed by the United States of America or any similar law imposed by any other jurisdiction in which Borrower is located.

"EXISTING POLICY" shall have the meaning as set forth in Section 5.1.3.

"EXISTING POLICY AMOUNT" shall have the meaning as set forth in Section 5.1.3.

"EXISTING DEVELOPMENT RIGHTS" shall have the meaning as set forth in the definition of Bonus Area.

"EXTENSION FEE" shall mean, with respect to each Extension Period, one quarter (1/4) of one (1%) percent of the sum of (x) the outstanding principal balance of the Loan as of the first day of the applicable Extension Period, and (y) the portion of the Loan that Lenders remain obligated to fund (assuming that Borrower satisfies the conditions precedent thereto) as of the first day of the applicable Extension Period, payable in connection with Borrower's option, subject to and in accordance with the terms and conditions of this Agreement, to extend the term of the Loan for the First Extension Period and the Second Extension Period, respectively.

"EXTENSION PERIOD" shall mean each of the First Extension Period and the Second Extension Period.

"FEDERAL FUNDS RATE" shall mean, for any period, a fluctuating interest rate per annum (based on a 360 day year) equal, for each day of such period, to the rate of interest quoted at 11:00 a.m. New York time charged on overnight federal funds transactions with member banks of the Federal Reserve System.

"FEE PAYMENT DATE" shall mean the first day of each calendar month during the term of the Loan.

"59 CORP" shall mean 59th Street Corporation, a Delaware corporation.

"FIRREA" shall mean the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"FIRST EXTENDED MATURITY DATE" shall mean January 3, 2007.

"FIRST EXTENSION NOTICE" shall have the meaning set forth in Section 2.1.5.

"FIRST EXTENSION PERIOD" shall mean a period of twelve (12) consecutive months following the Initial Maturity Date.

"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 Building Loan.

"FORCE MAJEURE EVENT" shall mean any event or condition beyond the control of Borrower, including (without limitation) strikes, labor disputes, acts of God, the elements, governmental restrictions, regulations or controls, enemy action, civil commotion, fire, casualty, accidents, mechanical breakdowns or shortages of, or inability to obtain, labor, utilities or materials, which causes delay; provided, however, that any lack of funds of Borrower or an Affiliate of Borrower shall not be deemed to be a condition beyond the control of Borrower and provided further that any extension therefor shall not exceed ninety (90) days.

"421-A NEGOTIABLE CERTIFICATES" shall mean that certain Negotiable Certificate of Eligibility issued June 23, 2000 by the HPD Office of Development, with Gerard Court Associates, LLC, as "Benefit Transferor", and 731 LP, as "Benefit Transferee", as transferred by 731 LP to Residential Owner, as "Benefit Transferee", providing for 290 market rate units (having an average size of 1200 square feet) to be eligible for 421-a Tax Benefits.

"421-A TAX BENEFITS" shall have the meaning as set forth in Section 4.1.38(a).

"FUNDING STATEMENT" shall mean that certain funding statement to be executed and delivered by Borrower in connection with the closing of the Loan in the form attached hereto as SCHEDULE XIII.

"FUNDS" shall have the meaning as set forth in Section 6.3.1.

"GAAP" shall mean generally accepted accounting principles as 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.

"GOVERNMENTAL APPROVALS" shall mean all approvals, consents, waivers, orders, acknowledgments, authorizations, permits and licenses required under applicable Legal Requirements to be obtained from any Governmental Authority for the construction of the Improvements and/or the use, occupancy and operation following completion of construction, as the context requires.

"GOVERNMENTAL AUTHORITY" shall mean any court, board, agency, commission, office, authority, department, bureau or instrumentality of any nature whatsoever or any governmental unit (federal, state, county, district, municipal, city or otherwise) whether now or hereafter in existence.

"GROSS REVENUE" shall mean all revenue, derived from the ownership and operation of the Property from whatever source, including, but not limited to, Rents, but excluding sales, use and occupancy or other taxes on receipts required to be accounted for by Borrower to any Governmental Authority, non-recurring revenues as reasonably determined by Agent, payments received by Borrower under the Interest Rate Protection Agreement, security deposits (except to the extent properly used by Borrower to offset a loss of Rent), Gross Sales Proceeds, refunds and uncollectible accounts, proceeds of casualty insurance (other than business interruption or other loss of income insurance related to business interruption or loss of income for the period in question), Awards and any disbursements to Borrower of any funds established by the Loan Documents.

"GROSS SALES PROCEEDS" shall mean as to any Residential Unit, the gross proceeds from the sale of such Unit (including, without limitation, any fees, expenses or transfer taxes of Borrower paid by the purchaser of such Unit and any mortgage recording tax reimbursement paid by such purchaser); provided, however, that Gross Sales Proceeds shall not include any amount that Borrower receives on account of (i) pro-rations of common charges or real estate taxes and other similar items, (ii) contributions to the working capital reserves, or (iii) upcharges for above-standard work that Borrower performs for the applicable purchaser under the applicable Qualifying Contract.

"GUARANTOR" shall mean each of Vornado and Alexander's in their capacities as the "Guarantor" under their respective Guaranties.

"GUARANTY" shall mean, collectively, the Guaranty of Completion, the Guaranty of Carrying Costs and each Guaranty of Limited Recourse Obligations.

"GUARANTY OF CARRYING COSTS" shall mean that certain Guaranty of Carrying Costs from Alexander's in favor of Agent dated the date hereof.

"GUARANTY OF COMPLETION" shall mean that certain Guaranty of Completion from Vornado in favor of Agent dated the date hereof.

"GUARANTY OF LIMITED RECOURSE OBLIGATIONS" shall mean, collectively, (i) that certain Guaranty of Limited Recourse Obligations from Alexander's in favor of Agent dated the date hereof and (ii) that certain Guaranty of Limited Recourse Obligations from Vornado in favor of Agent dated the date hereof.

"H&M" shall mean H&M Hennes & Mauritz L.P., a New York limited partnership.

"H&M LEASE" shall mean that certain lease between Commercial Owner (as successor to 731 LP), as Landlord, and H&M Hennes & Mauritz Inc., as Tenant, dated as of

August 6, 1999, as amended by First Amendment of Lease, dated as of August 23, 2001 between 731 LP and H&M, as successor in interest to H&M Hennes & Mauritz, Inc.

"HARD COSTS" shall mean those Building Loan Costs which are for labor, materials, equipment and fixtures.

"HPD" shall mean the New York City Department of Housing Preservation and Development.

"HPD OFF-SITE AGREEMENT" shall mean that certain written agreement between HPD and Off-Site Developer dated September [___], 2000, pursuant to which HPD has agreed with Off-Site Developer that the construction of lower income housing units at the Off-Site Property entitles Off-Site Developer to obtain a Certificate of Eligibility for Zoning Bonus.

"HVB" shall mean Bayerische Hypo- und Vereinsbank AG, New York Branch, a German banking corporation organized under the laws of the Federal Republic of Germany, together with its successors and assigns.

"IMPROVEMENTS" shall mean a multi-use project (to be built substantially in accordance with the Plans and Specifications that are approved by Agent in accordance with the terms hereof) containing approximately 880,000 rentable square feet of office space, 171,000 usable square feet of retail space, 241,000 square feet of residential space and 18,000 square feet of storage space, located at 731 Lexington Avenue, New York, New York. Unless otherwise specified in this Agreement, Improvements shall include only the improvements that constitute the Base Building Work and the Basic Residential Buildout Work and that constitute the Property.

"INCLUSIONARY AIR RIGHTS AGREEMENT" shall mean that certain Inclusionary Air Rights Purchase Agreement dated as of June 10, 2002 between Off-Site Developer, as Seller, and 59th Street Corporation (predecessor-in-interest to Residential Owner), as Purchaser, pursuant to which Off-Site Developer agrees to transfer the rights for the Additional Development Rights to Residential Owner for the benefit of the Property.

"INCLUSIONARY HOUSING PROGRAM" shall mean the Inclusionary Housing Program set forth in Section 23-90 of the Zoning Resolution of the City of New York, effective December 15, 1961, as amended, and any implementing guidelines or regulations established by HPD.

"INDEBTEDNESS" shall mean, for any Person, without duplication: (i) all indebtedness of such Person for borrowed money, for amounts drawn under a letter of credit, or for the deferred purchase price of property for which such Person or its assets is liable, (ii) all unfunded amounts under a loan agreement, letter of credit, or other credit facility for which such Person would be liable if such amounts were advanced thereunder, (iii) all amounts required to be paid by such Person as a guaranteed payment to partners or a preferred or special dividend, including any mandatory redemption of shares or interests, (iv) all indebtedness guaranteed by such Person, directly or indirectly, (v) all obligations under leases that constitute capital leases for which such Person is liable and (vi) all obligations of such Person under interest rate swaps, caps, floors, collars and other interest hedge agreements, in each case whether such Person is

liable contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which obligations such Person otherwise assures a creditor against loss.

"INDEMNIFIED LIABILITIES" shall have the meaning as set forth in Section 10.13(b).

"INDEMNIFIED PARTY" shall have the meaning as set forth in Section 10.13(b).

"INITIAL ADVANCE" shall have the meaning as set forth in Section 2.9.1.

"INITIAL MATURITY DATE" shall mean January 3, 2006.

"INSURANCE CONSULTANT" shall mean Alpha Risk Management, Inc. or such other insurance consultant as Agent may engage in connection with the Loan.

"INSURANCE PREMIUMS" shall have the meaning as set forth in Section 5.1.1(b).

"INTERCREDITOR AND SUBORDINATION AGREEMENT" shall mean that certain Intercreditor and Subordination Agreement dated as of the date hereof by and among Borrower, Mezzanine Lender, Agent and Lenders.

"INTEREST PERIOD" shall mean, with respect to any LIBOR Loan:

(a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such LIBOR Loan and ending one, two, three, six or twelve months thereafter, as selected by Borrower in its Rate Request given with respect thereto; and

(b) thereafter, each period commencing on the last day of the then expiring Interest Period applicable to such LIBOR Loan and ending one, two, three, six or twelve months thereafter, as selected by Borrower in its Rate Request; provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period pertaining to a LIBOR Loan would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period that would otherwise extend beyond the Maturity Date shall end on the Maturity Date; and

(iii) any Interest Period pertaining to a LIBOR Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the first, second, third, sixth or twelfth calendar month thereafter (as the case may be).

Notwithstanding the foregoing, the selection of the duration of any Interest Period during the initial term of the Loan shall be limited to the same interest period duration as shall pertain to the LIBO Rate under the Interest Rate Protection Agreement.

"INTEREST RATE PROTECTION AGREEMENT" shall mean one or more interest rate caps (together with the schedules relating thereto) in form and substance reasonably satisfactory to Lender, with a confirmation from the Counterparty thereto Counterparty in the form attached hereto as EXHIBIT C-1 between Borrower and, subject to Section 4.1.11, a Counterparty reasonably acceptable to Agent with a Minimum Counterparty Rating, and all amendments, restatements, replacements, supplements and modifications thereto.

"INTEREST RESERVE" shall have the meaning as set forth in the Cash Collateral Agreement.

"INVESTMENT GRADE RATING" shall mean a long-term unsecured debt rating of at least BBB- by Fitch and S&P and Baa3 by Moody's.

"LAND" shall mean the land more particularly described on EXHIBIT A attached hereto and includes all rights appurtenant thereto, including, without limitation, all development rights, if any, acquired by Borrower pursuant to any air rights agreements pertaining thereto.

"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 in each case) in which the Commercial Owner and/or Residential Owner has/have an interest (as lessor, sublessor, subsublessor, licensor or concessionaire or other similar interest) pursuant to which any Person is granted 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.

"LEASING PARAMETERS" shall have the meaning as set forth in Section 4.1.9.

"LEGAL REQUIREMENTS" shall mean all federal, state, county, municipal and other governmental statutes, laws, treaties, rules, orders, regulations, ordinances, judgments, decrees, injunctions, permits or requirements of Governmental Authorities affecting Borrower or the Property or any part thereof or the construction, use, alteration or operation thereof, or any part thereof, whether now or hereafter enacted and in force, including, without limitation, the ADA, and all permits, licenses and authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Borrower, at any time in force affecting the Property or any part thereof, including, without limitation, any which may (i) require repairs, modifications or alterations in or to the Property or any part thereof, or (ii) in any way limit the use and enjoyment thereof.

"LETTER OF CREDIT" shall mean an irrevocable, unconditional, transferable, clean sight draft letter of credit acceptable to Agent (either an evergreen letter of credit or one which does not expire until at least thirty (30) Business Days after the Maturity Date) in favor of Agent

for the ratable benefit of the Lenders and entitling Agent to draw thereon in New York, New York, issued by a domestic Eligible Institution or the U.S. agency or branch of a foreign Eligible Institution. If at any time the bank issuing any such Letter of Credit shall cease to be an Eligible Institution, Agent shall have the right upon ten (10) days' prior notice to Borrower to draw down the same in full and hold the proceeds of such draw in accordance with the applicable provisions hereof unless within such ten (10) day period Borrower has delivered a replacement Letter of Credit meeting the requirements set forth herein issued by an Eligible Institution.

"LIBO ADJUSTED RATE" shall mean, with respect to any Interest Period pertaining to a LIBOR Loan, the LIBO Rate for such Interest Period divided by (1 minus the Reserve Requirement) for such Interest Period.

"LIBO RATE" shall mean, with respect to any Interest Period pertaining to a LIBOR Loan, the rate of interest per annum quoted by HVB at approximately 11:00 a.m. New York time two (2) Business Days prior to the beginning of such Interest Period for the offering to leading banks in the London interbank market of dollar deposits for delivery on the first day of such Interest Period for a period equal to such Interest Period and in an amount comparable to the amount of the LIBOR Loan to be outstanding during such Interest Period.

"LIBOR LOAN(S)" shall mean Loan(s) (or applicable portions thereof) having a rate of interest per annum determined in accordance with the following formula:

$$\frac{\text{LIBO Rate}}{1.00 - \text{Reserve Requirements}} + \text{LIBOR Margin}$$

"LIBOR MARGIN" shall mean two and one half percent (2 1/2%) per annum, provided that the "LIBOR Margin" shall be reduced and shall mean two percent (2%) per annum during the Extension Periods.

"LIEN" shall mean any mortgage, deed of trust, lien, pledge, hypothecation, assignment, security interest, or any other encumbrance, charge or transfer of, on or affecting the Property or any portion thereof or any interest therein which is owned by Borrower, or on or affecting Borrower or any interest in Borrower, 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 mechanic's, materialmen's and other similar liens and encumbrances against the Property or any portion thereof or Borrower or any interest in Borrower.

"LIEN LAW" shall mean the Lien Law of the State of New York.

"LINE ITEMS" shall have the meaning as set forth in Section 2.1.6.

"LOAN" shall mean, collectively, the Building Loan, the Supplemental Loan and the Project Loan.

"LOAN AGREEMENTS" shall mean, collectively, this Agreement, the Supplemental Loan Agreement and the Project Loan Agreement.

"LOAN BUDGET" shall have the meaning as set forth in Section 2.1.6.

"LOAN DOCUMENTS" shall mean, collectively, the Building Loan Documents, the Supplemental Loan Documents and the Project Loan Documents.

"LOAN FEE LETTER" shall mean that certain letter agreement dated as of the date hereof between Agent and Borrower pertaining to the fees payable by Borrower to Agent and Lenders.

"LONDON BUSINESS DAY" shall mean any Business Day other than a Business Day on which commercial banks are not open for dealing in U.S. dollars in the London interbank market in London, England.

"LOSSES" shall have the meaning as set forth in Section 10.13(b).

"MAJOR BUILDING MATERIALS" shall have the meaning as set forth in Section 2.1.9(c).

"MAJOR DECISION" has the meaning as set forth in Section 11.4(e).

"MAJOR LEASE" shall mean (a) with respect to any Lease for office space at the Property, any Lease that (i) covers 25,000 square feet or more at the Property, (ii) is made with a Tenant that is a Tenant under another Lease at the Property or that is an Affiliate of any other Tenant under a Lease at the Property, if the Leases together cover 25,000 square feet or more at the Property or (iii) does not comply with the Leasing Parameters applicable to office leases, and (b) with respect to any Lease for retail space at the Property, any Lease that (i) covers 15,000 square feet or more at the Property, (ii) is made with a Tenant that is a Tenant under another Lease at the Property or that is an Affiliate of any other Tenant under a Lease at the Property, if the Leases together cover 15,000 square feet or more at the Property or (iii) does not comply with the Leasing Parameters applicable to retail leases.

"MAJOR TRADE CONTRACT" shall mean any Trade Contract with a Trade Contractor in which the aggregate contract price is equal to or greater than \$1,000,000, whether pursuant to one contract or agreement or multiple contracts or agreements, after taking into account all change orders.

"MAJOR TRADE CONTRACTOR" shall mean any Trade Contractor that has a Major Trade Contract.

"MAJORITY LENDERS" shall mean, at any time, Lenders owed more than fifty-one percent (51%) of the then aggregate unpaid principal amount of the Loan, after subtracting the interest or interests owned by any Defaulting Lender(s).

"MANAGEMENT AGREEMENT" shall mean the development and management agreement entered into by and between Borrower and Manager, or such other management agreement, if any, as may be entered into by Borrower in accordance with Section 7.1 with a manager approved by Agent in accordance with Section 7.1), pursuant to which such Manager is to provide development and/or management and other services with respect to the Property.

"MANAGER" shall mean Vornado Management Corp., a New Jersey corporation, or such other manager that shall have been approved by Agent in accordance with Section 7.1.

"MATURITY DATE" shall mean January 3, 2006 or such earlier date on which the final payment of principal of the Building Loan Note becomes due and payable as therein or herein provided, whether at such stated maturity date, by declaration of acceleration, or otherwise; provided, however, that if Borrower exercises its right to extend the term of the Loan for the First Extension Period and, in accordance with the terms of this Agreement, the term of the Loan is so extended, from and after such extension of the term of the Loan, the "MATURITY DATE" shall mean January 3, 2007, or such earlier date on which the final payment of principal of the Building Loan Note becomes due and payable as therein or herein provided, whether at such stated maturity date, by declaration of acceleration, or otherwise; and provided further that if Borrower exercises its right to extend the term of the Loan for the Second Extension Period and, in accordance with the terms of this Agreement, the term of the Loan is so extended, from and after such extension of the term of the Loan, the "MATURITY DATE" shall mean January 3, 2008, or such earlier date on which the final payment of principal of the Building Loan 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 nonusurious 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 Building Loan Note and as provided for herein or the other Building 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.

"MAXIMUM LOAN COMMITMENT AMOUNT" shall mean the maximum aggregate principal amount of the Loan, which shall be \$490,000,000.

"MAXIMUM TERRORISM INSURANCE PREMIUM" shall have the meaning as set forth in Section 5.1.3(b).

"MEZZANINE DEBT" shall mean the Indebtedness owed by Alexander's to Mezzanine Lender pursuant to the Mezzanine Loan Documents and the Indebtedness owed by Borrower pursuant to the Reimbursement Documents referred to in the Intercreditor and Subordination Agreement.

"MEZZANINE LENDER" shall mean Vornado, Vornado Lending L.L.C. or any other, direct or indirect, wholly-owned subsidiary of Vornado.

"MEZZANINE LOAN" shall mean the "Mezzanine Loan" under (and as defined in) the Intercreditor and Subordination Agreement.

"MEZZANINE LOAN COLLATERAL" shall mean a pledge of the equity interests of Alexander's in Residential Holding and Commercial Holding.

"MEZZANINE LOAN DOCUMENTS" shall have the meaning as set forth in the Intercreditor and Subordination Agreement.

"MINIMUM COUNTERPARTY RATING" shall mean a credit rating from S&P and Fitch of at least "A" and from Moody's of at least "A2".

"MINIMUM DSCR" shall have the meaning as set forth in Section 4.1.11.

"MINIMUM RELEASE PRICE" shall mean as to any Residential Unit, the minimum amount required to be paid to Agent (for the ratable benefit of Lenders) for the release of such Residential Unit, which shall be equal to the amount that when added to all previous Required Release Prices for all previously released Residential Units equals \$800 per square foot (based on the aggregate square footage in such Residential Unit and all previously released Residential Units).

"MORTGAGE" shall mean, collectively, the Supplemental Loan Mortgage, the Building Loan Mortgage and the Project Loan Mortgage.

"NCF FUNDS" shall have the meaning as set forth in Section 4.1.11.

"NET CASH FLOW" shall mean, for any applicable period, the amount by which all cash receipts of Borrower during such period from the ownership or operation of the Property or otherwise arising in respect of the Property exceed the sum of (i) all Operating Expenses actually incurred and paid by Borrower during such period plus (ii) with respect to any Operating Expenses which have accrued during such period but are not yet due and payable, an amount reasonably necessary to establish a reserve therefor as reasonably approved by Agent. Net Cash Flow shall be calculated using Agent's standard method of calculation of the same and shall be final absent manifest error.

"NET EFFECTIVE ANNUAL RENT" shall mean, with respect any Lease for office or retail purposes, the amount of the net effective annual rent payable under such Lease determined as follows: (i) the amount of net annual rent payable under such Lease during the twelve (12) month period beginning on the rent commencement date under such Lease (it being understood that if the annual rent under such Lease is stated on a gross basis (so that such annual rent includes the real estate taxes or operating expenses that are allocable to the space demised by such Lease), then the real estate taxes and operating expenses that are allocable to such space shall be deducted from the gross rental payable under such Lease for purposes of determining the net annual rent for purposes of this clause (i)), less (ii) the quotient of (A) the aggregate amounts of (1) all rent abatements given under such Lease, (2) the costs of all tenant improvements to be made by landlord or tenant improvement allowances to be paid by landlord under such Lease, (3) leasing commissions payable by landlord in respect of such Lease during the initial term thereof and (4) other tenant allowances, including without limitation, any lease take-over obligations assumed by landlord in respect of such Lease, and (B) the number of years in the initial term of such Lease or, if the Tenant has a right to terminate such Lease (without payment of a termination fee equal to not less than the (unamortized) amounts set forth in clauses (1), (2), (3) or (4) above for the remainder of the initial term) prior to the end of such term for any reason not attributable to a default in the performance of landlord's obligations thereunder or to the occurrence of a Casualty or Condemnation, including, without limitation, the right to terminate such Lease if Tenant does not achieve a threshold of sales, then the number of years in the initial

term of the Lease prior to the earliest date on which Tenant could have the option to exercise such termination rights.

"NET EFFECTIVE ANNUAL RENTAL RATE" shall mean, with respect to any Lease for office or retail purposes, the annual rental rate equal to the quotient of (a) the Net Effective Annual Rent for such Lease and (b) the net rentable square feet of the premises demised under such Lease.

"NET PROCEEDS" shall mean: (i) the net amount of all insurance proceeds payable as a result of a Casualty to the Property or any portion thereof (other than payable to a Tenant for loss of its betterments and improvements pursuant to such Tenant's insurance coverage unless pursuant to the applicable Lease, the landlord thereunder is entitled to receive the same), after deduction of reasonable costs and expenses (including, but not limited to, reasonable attorneys' fees), if any, in collecting such insurance proceeds, together with any interest earned thereon while the same is being held by Agent in accordance with the terms hereof, or (ii) the net amount of the Award, after deduction of reasonable costs and expenses (including, but not limited to, reasonable attorneys' fees), if any, in collecting such Award, together with any interest earned thereon while the same is being held by Agent in accordance with the terms hereof.

"NET PROCEEDS DEFICIENCY" shall have the meaning as set forth in Section 5.3.2(f).

"NET SALES PROCEEDS" shall mean as to any Residential Unit, the Gross Sales Proceeds of such Unit minus customary and reasonable closing costs and expenses, including without limitation, transfer taxes, broker fees, marketing agent fees and legal fees, actually incurred by Borrower and reasonably approved by Agent in connection with the sale of such Residential Unit.

"NOTE" shall mean, collectively, the Building Loan Note, the Supplemental Loan Note and the Project Loan Note.

"NOTICE" shall have the meaning as set forth in Section 10.6.

"OFFERING PLAN" shall have the meaning as set forth in Section 4.1.37.

"OFFICE UNIT" or "OFFICE UNITS" shall mean any Unit or Units designated for office use in the Offering Plan.

"OFFICER'S CERTIFICATE" shall mean a certificate delivered to Agent by Borrower which is signed by an authorized senior officer of Borrower's managing member (without personal recourse to such officer).

"OFF-SITE DEVELOPER" shall mean the owner of the Off-Site Property.

"OFF-SITE PROPERTY" shall mean 175 Lexington Avenue [Block 886, Lot(s) p/o 62, County of New York], New York, New York.

"OPERATING EXPENSES" shall mean all costs and expenses relating to the operation, maintenance and management of the Property prior to any Condominium Conversion or the sum of all costs and expenses relating to the operation, maintenance and management of the Commercial Component and the aggregate amount of all common charges payable by Borrower in respect of any Residential Units after any Condominium Conversion. Such costs and expenses shall include, without limitation, utilities, repairs and maintenance, Insurance Premiums, Taxes and Other Charges, advertising expenses, professional fees, payroll and related taxes, equipment lease payments, a management fee equal to two percent (2%) of gross annual rents and customary and reasonable reserves for tenant improvements, leasing commissions and other anticipated leasing costs, but excluding actual Capital Expenditures, depreciation, amortization and other similar non-cash items; provided, however, such costs and expenses shall be subject to reasonable adjustment by Agent to normalize such costs and expenses.

"ORGANIZATIONAL DOCUMENTS" as to any Person shall mean the following: (i) if such Person is a limited partnership: (A) Certificate of Limited Partnership of such Person, (B) Agreement of Limited Partnership of such Person, (C) consent of the partners of such Person to the transactions contemplated herein and by the other Loan Documents, (D) certificate of good standing of such Person in the state in which such Person is organized, (E) incumbency certificate of such Person, (F) Certificate of Formation of the General Partner of such Person, (G) Operating Agreement of such General Partner, (H) consent of the members of such General Partner to the transactions contemplated herein and by the other Loan Documents, (I) certificate of good standing of such General Partner in the state in which such General Partner is organized, (J) Certificate of Incorporation of the manager or managing member, as applicable, of such General Partner ("MGR"), (K) By-Laws of Mgr, (L) Resolutions of the directors of Mgr authorizing the transactions contemplated herein and by the other Loan Documents, and (M) certificate of good standing of Mgr in the state in which Mgr is organized; (ii) if such Person is a limited liability company: (A) Certificate of Formation of such Person, (B) Operating Agreement of such Person, (C) consent of the members of such Person to the transactions contemplated herein and by the other Loan Documents, (D) certificate of good standing of such Person in the state in which such Person is organized, (E) Certificate of Incorporation or Certificate of Formation, as applicable, of the manager(s) or managing member(s), as applicable, of such Person (each a "MGR"), (1) if Mgr is a corporation: (I) By-Laws of Mgr, (II) Resolutions of the directors of Mgr authorizing the transactions contemplated herein and by the other Loan Documents, and (III) a certificate of good standing of Mgr in the state in which Mgr is organized; (2) if Mgr is a limited liability company: (I) Operating Agreement of Mgr, (II) consent of the members of Mgr to the transactions contemplated herein and by the other Loan Documents, (III) certificate of good standing of Mgr in the state in which Mgr is organized, (IV) Certificate of Incorporation of the manager or managing member of Mgr, By-Laws of such corporate manager or managing member of Mgr, Resolutions of the directors of such corporate manager or managing member of Mgr authorizing the transactions contemplated herein and by the other Loan Documents, and (V) certificate of good standing (both as to subsistence and tax status) of such corporate manager or managing member, as applicable, in the state in which it is organized; and (3) if Mgr is a limited partnership: (I) Agreement of Limited Partnership of such Person, (II) consent of the partners of such Person to the transactions contemplated herein and by the other Loan Documents, (III) certificate of good standing of such Person in the state in which such Person is organized, (IV) incumbency certificate of such General Partner, (V) with respect to the General Partner of such Mgr, Certificate of Incorporation or Certificate of Formation or

Certificate of Limited Partnership, as applicable, of the General Partner of such Person and the other organizational documents, consents and certificates as are set forth herein with respect to Mgr depending upon whether such General Partner of Mgr is a corporation, limited liability company or limited partnership, including without limitation, a certificate of good standing of such General Partner of such Mgr in the state in which such General Partner is organized; (iii) if such Person is a general partnership: (A) the Partnership Agreement of such Person, (B) the Partnership or Doing Business Certificate of such Person, and (C) consent of the partners of such Person to the transactions contemplated herein and by the other Loan Documents; and (iv) if such Person is a corporation: (A) certificate of good standing (both as to subsistence and tax status) for such Person in the state in which such Person is organized, (B) Certificate or Articles of Incorporation of such Person, (C) By-Laws of such Person and (D) Resolutions of the directors of such Person authorizing the transactions contemplated herein and by the other Loan Documents.

"OTHER CHARGES" shall mean all ground rents, maintenance charges, impositions other than Taxes, 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.

"OTHER DEBT" shall mean, collectively, the "Debt" as defined in each of the Supplemental Loan Agreement and the Project Loan Agreement.

"OTHER DESIGN PROFESSIONALS" shall mean all architects (including, without limitation, Borrower's Architect) and engineers engaged by Borrower and/or Borrower's agent to work on the Improvements.

"PAYMENT AND PERFORMANCE BONDS" shall mean dual-obligee payment and performance bonds relating to the Construction Manager and each Major Trade Contractor, issued by a surety company or companies and in form and content reasonably acceptable to Agent, in each case in an amount not less than the full contract price; together with a dual obligee and modification rider in the form attached hereto as SCHEDULE XX.

"PAYMENT DATE" shall mean the date on which, pursuant to Sections 2.2.1 and 2.4.1, Borrower is obligated to make an interest payment hereunder.

"PERMITTED ENCUMBRANCES" shall mean, collectively, (i) the Liens and security interests created by the Loan Documents or otherwise permitted by the Loan Documents, (ii) all Liens, encumbrances and other matters disclosed in the Title Insurance Policy, (iii) Liens, if any, for Taxes imposed by any Governmental Authority not yet due or delinquent, (iv) the ZLDA, and (v) such other title and survey exceptions as Agent has approved or may approve in writing in Agent's sole discretion.

"PERMITTED INVESTMENTS" shall mean any one or more of the following obligations or securities acquired at a purchase price of not greater than par, including those issued by Agent or any Lender or any of their respective Affiliates, 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 (or such other date that the applicable funds are

reasonably expected by Agent to be divested) and meeting one of the appropriate standards set forth below:

(i) 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 (certificates 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 (i) must (A) have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, (B) if rated by S&P, not have an "r" highlighter affixed to their rating, (C) if such investments have a variable rate of interest, have an interest rate tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (D) not be subject to liquidation prior to their maturity;

(ii) Federal Housing Administration debentures;

(iii) 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 (iii) must (A) have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, (B) if rated by S&P, not have an "r" highlighter affixed to their rating, (C) if such investments have a variable rate of interest, have an interest rate tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (D) not be subject to liquidation prior to their maturity;

(iv) federal funds, unsecured certificates of deposit, time deposits, bankers' acceptances and repurchase agreements with maturities of not more than 365 days of any 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 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 initial or, if higher, then current ratings assigned to the certificates); provided, however, that the investments described in this clause (iv) must (A) have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, (B) if rated by S&P, not have an "r" highlighter affixed to their rating, (C) if such investments have a variable rate of interest, have an interest rate tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (D) not be subject to liquidation prior to their maturity;

(v) 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 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 initial or, if higher, then current ratings assigned to the certificates); provided, however, that the investments described in this clause (v) must (A) have a predetermined fixed dollar of principal due at maturity that cannot vary or change, (B) if rated by S&P, not have a "r" highlighter affixed to their rating, (C) if such investments have a variable rate of interest, have an interest rate tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (D) not be subject to liquidation prior to their maturity;

(vi) debt obligations with maturities of not more than 365 days and at all times rated by each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one 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 initial or, if higher, then current ratings assigned to the certificates) in its highest long-term unsecured debt rating category; provided, however, that the investments described in this clause (vi) must (A) have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, (B) if rated by S&P, not have an "r" highlighter affixed to their rating, (C) if such investments have a variable rate of interest, have an interest rate tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (D) not be subject to liquidation prior to their maturity;

(vii) 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 year after the date of issuance thereof) with maturities of not more than 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 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 initial or, if higher, then current ratings assigned to the certificates) in its highest short-term unsecured debt rating; provided, however, that the investments described in this clause (vii) must (A) have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, (B) if rated by S&P, not have a "r" highlighter affixed to their rating, (C) if such investments have a variable rate of interest, have an interest rate tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (D) not be subject to liquidation prior to their maturity;

(viii) units of taxable money market funds or mutual funds, which funds are regulated investment companies, seek to maintain a constant net asset value per share and have the highest rating from each Rating Agency (or, if not rated by all Rating Agencies, rated by at least one 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 initial or, if higher, then current ratings assigned to the certificates) for money market funds or mutual funds; and

(ix) any other security, obligation or investment which has been approved as a Permitted Investment in writing by (a) Agent and (b) each Rating Agency, as evidenced by a written confirmation that the designation of such security, obligation or investment as a Permitted Investment will not, in and of itself, result in a downgrade, qualification or withdrawal of the initial or, if higher, then current ratings assigned to the certificates by such Rating Agency;

provided, however, that such instrument continues to qualify as a "cash flow investment" pursuant to Code Section 860G(a)(6) earning a passive return in the nature of interest and no obligation or security shall be a Permitted Investment if (A) such obligation or security evidences a right to receive only interest payments or (B) the right to receive principal and interest payments on such obligation or security are derived from an underlying investment that provides a yield to maturity in excess of 120% of the yield to maturity at par of such underlying investment.

"PERMITTED TRANSFERS" shall have the meaning as set forth in Section 8.3.

"PERSON" shall mean any individual, corporation, partnership, limited liability company, joint venture, estate, trust, unincorporated association, any other entity, 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.

"PERSONAL PROPERTY" shall mean materials, furnishings, fixtures, machinery, equipment and all items of tangible and intangible personal property, in each case, now or hereafter owned by Borrower, wherever located, and either (i) to be incorporated into the Improvements, (ii) used in connection with the construction of the Improvements or (iii) to be used in connection with the operation of the Property.

"PLANS AND SPECIFICATIONS" shall mean the plans and specifications for the construction of the Improvements prepared by Borrower's Architect and other Design Professionals, and more particularly identified in EXHIBIT B, as the same may be amended and supplemented from time to time in accordance with the terms of this Agreement.

"POLICIES" shall have the meaning as set forth in Section 5.1.1(b).

"PREFABRICATED MATERIALS" shall have the meaning as set forth in Section 2.1.9(d).

"PREFABRICATION DEPOSITS" shall have the meaning as set forth in Section 2.1.9(d).

"PRELIMINARY PROJECT REPORT" shall have the meaning as set forth in Section 2.1.6.

"PRIME RATE" shall mean, as determined on a daily basis, the rate of interest publicly announced by HVB in New York from time to time as its prime commercial lending rate. The prime rate is not intended to be the lowest rate of interest charged by HVB in connection with extensions of credit to debtors.

"PRO FORMA NOI" means, with respect to any ensuing twelve (12) month period commencing on the date of determination, (a) the sum of (i) base rents actually payable during such twelve (12) month period under Leases that have been executed and that, in accordance with Section 4.1.9, have either been approved by Agent or do not require such approval, and under which Leases no monetary or other default has occurred and is then continuing beyond the expiration of any applicable notice and grace period, provided, however, that for the purposes of determining Pro Forma NOI under Section 2.1.5 as a condition to the applicable Extension Period only, if by reason of free rent periods which have not yet expired base rent is only payable during a portion of such twelve (12) month period, the base rent actually payable during such ensuing twelve (12) month period shall be annualized, (ii) other reimbursements for Property expenses pursuant to such Leases, and (iii) other contractual, recurring operating income of Borrower from the Property, minus with respect to such ensuing twelve (12) month period, (b) Operating Expenses which have been projected by Borrower for such period and subject to approval by Agent in its reasonable discretion. Pro Forma NOI shall be calculated by Borrower and subject to verification by Agent, and, as verified, shall be final absent manifest error.

"PROJECT COST BUDGET" shall have the meaning as set forth in Section 2.1.6.

"PROJECT LOAN" shall mean the loan being made by Lenders to Borrower with respect to the Property that is the subject of the Project Loan Agreement.

"PROJECT LOAN AGREEMENT" shall mean that certain Project Loan Agreement dated as of even date herewith among Agent, Lenders and Borrower.

"PROJECT LOAN ASSIGNMENT OF LEASES" shall have the meaning as set forth in the Project Loan Agreement.

"PROJECT LOAN COSTS" shall have the meaning as set forth in the Project Loan Agreement.

"PROJECT LOAN DOCUMENTS" shall have the meaning as set forth in the Project Loan Agreement.

"PROJECT LOAN MORTGAGE" shall have the meaning as set forth in the Project Loan Agreement.

"PROJECT LOAN NOTE" shall have the meaning as set forth in the Project Loan Agreement.

"PROPERTY" shall mean the Land, the Improvements now or hereafter erected thereon and all personal property owned by Borrower and encumbered by the Building Loan Mortgage, together with all rights pertaining to such property and Improvements, as more particularly described in the Granting Clauses of the Building Loan Mortgage, and shall exclude any Residential Unit (and the appurtenant common elements) from and after the release of such Residential Unit from the liens of the Building Loan Mortgage, the Supplemental Loan Mortgage and the Project Loan Mortgage.

"PUNCH LIST ITEMS" shall mean, collectively, minor or insubstantial details of construction, decoration, mechanical adjustment or installation, which do not hinder or impede the use, operation, or maintenance of the Property or the ability to obtain a Zero Occupancy Certificate of Occupancy with respect to the Commercial Component (other than the retail space therein) or temporary certificates of occupancy for at least fifty percent (50%) of the Residential Units at the Property and the existence of which do not result in Borrower being in default in respect of Borrower's obligations to Bloomberg under the Bloomberg Lease, or in Bloomberg having the right to terminate the Bloomberg Lease.

"QUALIFYING CONTRACT" shall mean a contract for the sale of any Residential Unit that satisfies the requirements of Section 4.1.37(g)(iii).

"RATABLE SHARE" or "RATABLY" shall mean, with respect to any Lender, its share of the Loan based on the proportion of the outstanding principal of the Loan advanced by such Lender to the total outstanding principal amount of the Loan. The Ratable Share of each Lender on the date of this Agreement is set forth on SCHEDULE I.

"RATE REQUEST" shall mean Borrower's irrevocable telephonic notice (to be promptly confirmed in writing), to be received by Agent by 11:00 a.m. New York time three (3) Business Days prior to the date specified in the Rate Request for the commencement of the Interest Period (which specified date must be a Business Day), of: (a) its intention to have (i) all or any portion of the principal amount under the Note which is not then the subject of an Interest Period (other than an Interest Period which is terminating on the Business Day specified in the notice), and/or (ii) all or any portion of any advance of proceeds of the Loan evidenced by the Note, which is to be made on the Business Day specified in the notice, bear interest as either a Base Rate Loan or a LIBOR Loan; and (b) the Interest Period desired by Borrower in respect of the amount specified whenever such notice is for LIBOR Loans.

"RATING AGENCIES" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc., and Fitch, Inc., and any other nationally recognized statistical rating agency which has been designated by Agent.

"REA" shall have the meaning as set forth in Section 4.1.43.

"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 of the Board of Governors of the Federal Reserve System) applying to a class of banks including any Lenders or the adoption or making after such date of any interpretation, directive or request applying to a class of banks including any Lenders 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.

"RENTS" shall mean all rents, moneys payable as damages or in lieu of rent, revenues, deposits that are not the property of Tenants but including Borrower's rights in such property (if any) (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 or its agents or employees under Leases.

"REQUIRED EQUITY" shall mean \$195,000,000.

"REQUIRED FINANCIAL ITEM" shall have the meaning as set forth in Section 4.1.6(k).

"REQUIRED LEASES" shall mean the Bloomberg Lease and the H&M Lease (to the extent that the H&M Lease then remains in effect).

"REQUIRED RELEASE PRICE" has the meaning as set forth in Section 4.1.37(i)(A)(8).

"REQUIRED TENANTS" shall mean, as to the related Required Leases, Bloomberg and H&M.

"REQUISITION AUTHORIZATION STATEMENT" shall mean the Requisition Authorization Statement dated the date hereof, which shall be in the form attached hereto as SCHEDULE XVIII and shall be executed and delivered by Borrower to Agent contemporaneously herewith.

"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 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 eurocurrency funding (currently referred to as "EUROCURRENCY LIABILITIES" in Regulation D) required to be maintained by the applicable Lender or its Participants, if any. Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by any Lender or any Lender's respective Participants, if any, by reason of any Regulatory Change against (i) any category of liabilities which includes deposits by reference to which the LIBO Rate is to be determined as provided in this Agreement or (ii) any category of extensions of credit or other assets which includes loans the interest rate on which is determined on the basis of rates used in determining the LIBO Rate.

"RESIDENTIAL COMPONENT" shall mean the portion of the Property generally designated for residential use and that is owned by Residential Owner.

"RESIDENTIAL HOLDING" shall mean 731 Residential Holding LLC, a Delaware limited liability company.

"RESIDENTIAL OWNER" shall mean 731 Residential LLC, a Delaware limited liability company, together with its permitted successors and assigns.

"RESIDENTIAL UNIT" or "RESIDENTIAL UNITS" shall mean any Unit or Units designated for residential use in the Offering Plan or, prior to the conversion of the Property to condominium form of ownership in accordance with the terms of Section 4.1.37, any residential apartment unit in the Residential Component.

"RESTORATION" shall have the meaning as set forth in Section 5.2.1.

"RESTORATION THRESHOLD" shall mean Seven Million Five Hundred Thousand and No/100 (\$7,500,000.00) Dollars.

"RETAIL UNIT" or "RETAIL UNITS" shall mean any Unit or Units designated for retail use in the Offering Plan.

"RETAINAGE" shall mean, for each construction contract and construction subcontract, the greater of (a) ten percent (10%) of all costs incurred by Borrower for work performed by the contractor or subcontractor under the contract or subcontract until such time as the labor or materials provided under such contract or subcontract is fifty percent (50%) complete as certified by the Construction Consultant at which time no further Retainage under such contract or subcontract shall be required and (b) the actual retainage required under such contract or subcontract.

"SECOND EXTENDED MATURITY DATE" shall mean January 3, 2008.

"SECOND EXTENSION NOTICE" shall have the meaning as set forth in Section 2.1.5.

"SECOND EXTENSION PERIOD" shall mean a period of twelve (12) consecutive months following the First Extended Maturity Date.

"SERIES MORTGAGE" shall have the meaning as set forth in Section 2.9.2(o).

"731 LP" shall mean Seven Thirty One Limited Partnership, a New York limited partnership.

"SEVERED LOAN DOCUMENTS" shall have the meaning as set forth in Section 9.2.1(c).

"SHORTFALL" shall have the meaning as set forth in Section 2.1.11.

"SOFT COSTS" shall mean those Building Loan Costs which are not Hard Costs, including, but not limited to, architect's, engineer's and construction manager's fees, interest on the Building Loan, recording taxes and title charges in respect of the Building Loan Mortgage, and Other Charges, Insurance Premiums and such other non-construction costs as are part of the "cost of improvement" as defined under the Lien Law.

"SPC PARTY" shall have the meaning as set forth in Section 3.1.24.

"SPECIAL CAPPED LOAN AMOUNT" shall have the meaning as set forth in Section 5.1.3.

"SPECIAL LOAN FEE" shall mean any annual fee that may be payable by Borrower to Agent under Section 5.1.3(b)(i) or (ii).

"SPREADSHEET" shall have the meaning as set forth in Section 2.9.1(e)(xiii).

"STATE" shall mean the State or Commonwealth in which the Property or any part thereof is located.

"STORED MATERIALS" shall have the meaning as set forth in Section 2.1.9.

"SUBORDINATION OF PROPERTY MANAGEMENT AND DEVELOPMENT AGREEMENT AND FEES" shall mean that certain Subordination of Property Management and Development Agreement and Fees dated as of the date hereof made by Manager in favor of Agent.

"SUBWAY AGREEMENT" shall mean, as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms hereof, that certain Agreement, dated as of May 17, 2000, between Seven Thirty One Limited Partnership and New York City Transit Authority.

"SUPPLEMENTAL LOAN" shall mean the loan being made by Lenders to Borrower with respect to the Property that is the subject of the Supplemental Loan Agreement.

"SUPPLEMENTAL LOAN AGREEMENT" shall mean that certain Supplemental Loan Agreement dated as of even date herewith among Agent, Lenders and Borrower.

"SUPPLEMENTAL LOAN ASSIGNMENT OF LEASES" shall have the meaning as set forth in the Supplemental Loan Agreement.

"SUPPLEMENTAL LOAN DOCUMENTS" shall have the meaning as set forth in the Supplemental Loan Agreement.

"SUPPLEMENTAL LOAN MORTGAGE" shall have the meaning as set forth in the Supplemental Loan Agreement.

"SUPPLEMENTAL LOAN NOTE" shall have the meaning as set forth in the Supplemental Loan Agreement.

"SURVEY" shall mean a survey of the Property prepared by a surveyor licensed in the State and satisfactory to Agent and the company or companies issuing the Title Insurance Policy, and containing a certification of such surveyor satisfactory to Agent.

"TAXES" shall mean all real estate and personal property taxes (including, without limitation, business improvement district charges), assessments, water rates or sewer rents, now or hereafter levied or assessed or imposed against the Property or part thereof, together with all interest and penalties thereon.

"TENANT" shall mean any Person obligated by contract or otherwise to pay monies (including a percentage of gross income, revenue or profits) under any Lease now or hereafter affecting all or any part of the Property.

"TERRORISM COVERAGE" shall mean have the meaning as set forth in Section 5.1.3(b).

"TITLE COMPANY" shall mean, collectively, the title insurance companies listed on SCHEDULE XXX, which are insuring the Liens of the Mortgage.

"TITLE INSURANCE POLICY" shall mean the ALTA mortgagee title insurance policies issued by Commonwealth Land Title Insurance Company and pursuant to "Me-Too" Endorsements the other Title Companies in the form (acceptable to Agent) issued with respect to the Property and insuring the Lien of the Building Loan Mortgage.

"TOTAL DEBT" shall mean, collectively, the Debt and Other Debt.

"TOTAL DEBT SERVICE" shall mean, with respect to any particular period of time, scheduled payments of principal and interest under the Building Loan Note, the Supplemental Loan Note and the Project Loan Note, provided that for the purposes of calculating Debt Service Coverage Ratio, Total Debt Service shall mean (i) the principal payments which would have been required to be made for the period in question, if any, and (ii) interest which would have been required to be paid for the period in question on the sum of (i) the then outstanding principal balance of the Loan on the first day of the period in question, and (ii) the portion of the Loan that Lenders remain obligated to fund (assuming that Borrower satisfies the conditions precedent thereto) as of the first day of the period in question, assuming an annual interest rate equal to the greater of (A) ten (10%) percent, and (B) an annual constant payment percentage based upon the then prevailing Treasury Rate plus 200 basis points and a 25-year mortgage-style amortization schedule (assuming monthly payments).

"TRADE CONTRACT" shall mean any agreement (other than the Architect's Agreement and the Construction Management Agreement) entered into by Borrower or by the Construction Manager as Borrower's agent, in which the Trade Contractor thereunder agrees to provide labor and/or materials in connection with the construction of the Improvements.

"TRADE CONTRACTOR" shall mean the contractor or vendor under any Trade Contract.

"TRANSFER" shall have the meaning as set forth in the Building Loan Mortgage.

"TREASURY RATE" shall mean, as of the time in question, the yield, calculated by linear interpolation rounded to the nearest one-thousandth of one percent (i.e., 0.001%) of the yields of noncallable United States Treasury obligations with terms of ten (10) years from such date of determination, as determined by Agent on the basis of Federal Reserve Statistical Release H.15-Selected Interest Rates under the heading U.S. Governmental Security/Treasury Constant Maturities, or other recognized source of financial market information selected by Agent.

"TRIGGER EVENT" shall have the meaning as set forth in Section 4.1.11.

"UCC" or "UNIFORM COMMERCIAL CODE" shall mean the Uniform Commercial Code as in effect in the State from time to time.

"U.S. OBLIGATIONS" shall mean direct full faith and credit obligations of the United States of America that are not subject to prepayment, call or early redemption.

"UNIT" or "UNITS" shall mean each individual condominium unit (including any residential, commercial or retail unit and any appurtenant interest in the common elements) in the Land and the Improvements created by the submission of the Property to the provisions of the Condominium Act in accordance with the Condominium Documents.

"UP-FRONT FEE" shall mean that portion of the "Up-Front Fee" under (and as defined in) the Loan Fee Letter allocable to the Building Loan.

"VORNADO" shall mean Vornado Realty L.P., a Delaware limited partnership, together with its successors and assigns.

"VORNADO REIMBURSEMENT AGREEMENT" shall have the meaning as set forth in Section 3.1.24.

"ZLDA" shall mean, as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms hereof, that certain Zoning Lot Development Agreement, dated as of the date hereof, between Commercial Owner and Residential Owner.

"ZERO OCCUPANCY CERTIFICATE OF OCCUPANCY" shall mean a temporary certificate of occupancy (which may be referred to as a "Base Building Certificate of Occupancy"), issued by the Department of Buildings of The City of New York for the core of the Commercial Component (excluding the retail space), which does not authorize any Person to use or occupy the Premises.

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. 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, 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). 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.

II. THE LOAN

SECTION 2.1 THE LOAN AND ADVANCES.

2.1.1 AGREEMENT TO LEND AND BORROW. (a) Subject to and upon the terms and conditions set forth herein, Lenders severally and not jointly agree to make Advances of the Building Loan to Borrower from time to time, in accordance with the provisions hereof, during the period from the date hereof to the Maturity Date, and Borrower shall accept the Advances of the Building Loan from Lenders, in an aggregate principal amount of up to TWO HUNDRED MILLION DOLLARS (\$200,000,000).

(b) No Lender is obligated to fund amounts in excess of its Ratable Share of the Building Loan Amount as set forth on SCHEDULE I, but if the Building Loan Amount is increased or Agent makes funds available in excess of the total Building Loan Amount, each Lender shall have the right to elect at its own discretion whether to provide funds to Agent to fund amounts in excess of the Building Loan Amount. If and to the extent any Lender shall fund amounts in excess of the Building Loan Amount for any purpose, such Lender's Ratable Share of the Building Loan shall be adjusted from time to time based on the total amounts advanced by all of Lenders from time to time in respect of the Building Loan.

2.1.2 NO REBORROWINGS. Any amount borrowed and repaid hereunder in respect of the Building Loan may not be reborrowed.

2.1.3 THE NOTE. The Building Loan shall be evidenced by one or more consolidated, amended and restated building loan notes, made by Borrower to each Lender in the respective principal amounts of the related Lender's Ratable Share of the Building Loan, and all of which notes shall collectively be in the aggregate principal amount of TWO HUNDRED MILLION DOLLARS (\$200,000,000) (collectively, as the same may be amended, supplemented, restated, increased, extended and consolidated, substituted or replaced from time to time, the "BUILDING LOAN NOTE") and shall be repaid in accordance with the terms of this Agreement and the Building Loan Note.

2.1.4 USE OF PROCEEDS. Borrower shall use proceeds of the Building Loan to pay or reimburse itself for Building Loan Costs actually incurred in connection with the construction of the Improvement if and to the extent that such Building Loan Costs are reflected in the Building Loan Budget, subject to reallocation pursuant to Sections 2.1.7 and 4.2.13 (or other reallocations approved by Agent in its sole discretion).

2.1.5 LOAN TERM AND EXTENSION OPTIONS. (a) The term of the Building Loan shall commence on the Closing Date and shall end on January 3, 2006, unless extended as hereinafter provided.

(b) Borrower shall have an option to extend the term of the Building Loan, the Supplemental Loan and the Project Loan until the First Extended Maturity Date, subject to satisfaction of the following conditions: (i) Borrower shall have given Agent written notice (the "FIRST EXTENSION NOTICE") of such extension no later than thirty (30) days (and no earlier than one hundred twenty (120) days) prior to the Maturity Date; (ii) Borrower shall have paid or caused to be paid to Agent the non-refundable Extension Fee in connection with such extension;

(iii) no material Default and no Event of Default shall have occurred and be continuing at the time of the delivery of the First Extension Notice and no Event of Default exists on the Initial Maturity Date; (iv) Agent shall have received a date down endorsement to its Title Insurance Policy indicating no change in the condition of title to the Property from that existing on the Closing Date (other than Permitted Exceptions) provided that such date down endorsement shall only be required if it is at no additional cost to Borrower than the cost of those obtained in connection with Advances, and, otherwise a title search indicating no change in the condition of title to the Property from that existing on the Closing Date (other than Permitted Encumbrances) shall be furnished to Agent; (v) Borrower shall have paid all out-of-pocket costs and expenses actually incurred by Agent in connection with such extension, including title search fees (if any) and reasonable legal fees and costs; (vi) Completion of the Base Building Work shall have occurred; (vii) the Bloomberg Lease and such additional Leases (which may, but need not, include the H&M Lease) for commercial space at the Property as shall be necessary to support a minimum ratio of (i) Proforma NOI to (ii) the sum of (i) the outstanding principal balance of the Loan as of the first day of the First Extension Period, and (ii) the portion of the Loan that Lenders remain obligated to fund (assuming that Borrower satisfies the conditions precedent thereto), equal to 13% shall have commenced and delivery of possession of the premises demised thereunder to the respective Tenants thereunder shall have occurred; (viii) Agent shall have received an estoppel certificate from Bloomberg and from each of the Tenants under such additional Leases indicating that (A) the respective Leases have commenced, (B) possession has been delivered to the respective Tenants thereunder, (C) all work required to be performed by Borrower prior to such date under the respective Leases has been performed and accepted by the respective Tenants, (D) any rebates of rent or other payments, credits, allowances or abatements required to be given by Borrower to such Tenant as of the date thereof has already been received by such Tenant, and (E) such Leases are in full force and effect and no default (after the expiration of any applicable notice and grace period) exists thereunder, and such estoppel certificate shall be satisfactory to Agent in its reasonable discretion; (ix) Agent shall have received Qualifying Contracts or Required Release Prices (with not more than 10% of such Qualifying Contracts or Required Release Prices, as applicable, being contracts with (or Required Release Prices under contracts with) Vornado or any other Affiliate of Borrower) which in the aggregate total \$90,000,000 or, alternatively, if Borrower elects, subject to Agent's approval (in its reasonable discretion), to rent the Residential Units or space in the Residential Component at the Property, Borrower shall have achieved a minimum weighted average effective rental rate of \$50.00 psf pursuant to Leases covering 90% of the Residential Units for which Borrower is required to have obtained temporary certificates of occupancy on the Initial Maturity Date.

(c) In addition, provided that Borrower shall have previously exercised its option to extend the term of the Loan for the First Extension Period, Borrower shall have a further option to extend the term of the Loan as previously extended, until the Second Extended Maturity Date, subject to satisfaction of the following conditions: (i) Borrower shall have given Agent written notice (the "SECOND EXTENSION NOTICE") of such extension by no later than thirty (30) days (and no earlier than one hundred twenty (120) days) prior to the Maturity Date; (ii) Borrower shall have paid or caused to be paid to Administrative Agent the non-refundable Extension Fee in connection with such extension; (iii) each of the conditions set forth in clauses (iii) through (viii) of Section 2.1.5(b) above shall have been satisfied in connection with the second extension; and (iv) Agent shall have received Qualifying Contracts or Required Release

Prices which in the aggregate total \$135,600,000 (of which not less than \$90,000,000 must be represented by Required Release Prices actually received by Agent) (with not more than 10% of such Qualifying Contracts or Required Release Prices, as applicable, being contracts with (or Required Release Prices under contracts with) Vornado or any other Affiliate of Borrower) or, alternatively, if Borrower elects (subject to Agent's approval, in its reasonable discretion) to rent the Residential Units or space in the Residential Component at the Property, Borrower shall have achieved a minimum weighted average effective rental rate of \$50.00 psf pursuant to Leases covering 90% of the Residential Units for which Borrower is required to have obtained temporary certificates of occupancy on the First Extended Maturity Date.

2.1.6 PRELIMINARY PROJECT REPORT AND BUDGET. A budget, which details the direct and indirect costs estimated to be incurred by Borrower until the Property achieves stabilized occupancy (the "PROJECT COST BUDGET"), shall be prepared by Borrower and delivered to Agent and to the Construction Consultant. Agent shall require that the Construction Consultant prepare a report for Agent which documents the Construction Consultant's review conclusions (the "PRELIMINARY PROJECT REPORT") after reviewing the Project Cost Budget, Plans and Specifications, Construction Management Agreement, Trade Contracts, Construction Schedule, Disbursement Schedule, tests and all other reports required by the Construction Consultant. After reviewing the Preliminary Project Report, Agent shall approve a detailed budget for the Loan (the "LOAN BUDGET"), which approval shall not be unreasonably withheld or delayed. Each category of direct and indirect cost (the "LINE ITEMS" or "BUDGET LINE") shall be delineated in the Loan Budget. Those Line Items that are Costs of the Improvement shall be reflected in a separate column as the Building Loan Budget. Agent and Borrower acknowledge that the guaranteed maximum price that Borrower obtains from the Construction Manager shall constitute a single Line Item on the Loan Budget.

2.1.7 BUDGET REALLOCATIONS. (a) Subject to the prior approval of Agent, which shall not be unreasonably withheld, Borrower may revise the Loan Budget from time to time to move amounts available under the Hard Costs Budget Line denominated "Contingency" to other Hard Costs Budget Lines, and/or to move amounts available under the Soft Costs Budget Line denominated "Contingency" to other Soft Costs Budget Lines and/or to move amounts available under the Soft Costs Budget Line denominated "Contingency" to Hard Costs Budget Lines. Notwithstanding anything to the contrary contained herein, provided no Event of Default shall have occurred and be continuing, Borrower shall have the right to reallocate, without the prior approval of Agent, up to \$7,500,000 of the total amounts available under the Soft Costs Budget Line denominated "Contingency" to other Soft Costs Budget Lines.

(b) If there is a savings in a particular Budget Line, and if such savings is substantiated by evidence reasonably satisfactory to Agent, Borrower shall have the right, upon prior approval of Agent, which approval shall not be unreasonably withheld or delayed, to reallocate such savings to another Budget Line with respect to which additional costs have been or may be incurred; provided, however, that, Borrower shall in no event or under any circumstances have the right (i) to reallocate any portion of the Interest and Fees Budget Line(s) without the prior approval of Agent in its sole and absolute discretion, (ii) to reallocate any savings in a Hard Costs Budget Line to other than another Hard Costs Budget Line, without in each instance obtaining the prior approval of Agent, which approval may be withheld in the sole and absolute discretion of Agent, (iii) to reallocate any savings in a Soft Costs Budget Line to

Budget Line Items on the Project Loan Budget (as defined in the Project Loan Agreement) or (iv) to cause a reallocation to occur that in the reasonable opinion of Agent, its counsel or the Title Company contravenes the Lien Law, or that in the reasonable opinion of Agent, its counsel or the Title Company will adversely affect or impair in any manner whatsoever the lien or the priority of lien of the Mortgage.

(c) If Borrower becomes aware of any change in Building Loan Costs which will increase a Line Item of Building Loan Costs reflected on the Loan Budget, Borrower shall immediately notify Agent in writing and promptly submit to Agent for its approval a revised Project Costs Budget. Any reallocation of any Line Item in the Loan Budget in connection with cost overruns shall be subject to Agent's approval in Agent's sole discretion except as set forth in Section 2.1.7(a) and (b) above and Section 4.2.13. Lenders shall have no obligation to make any further Advances for the Building Loan Costs that constitute the applicable Line Item unless and until the revised Project Cost Budget and Loan Budget so submitted by Borrower is approved by Agent in accordance with the terms hereof, and Agent reserves the right to approve or disapprove any revised Loan Budget in its sole and absolute discretion (except with respect to reallocations in accordance with Section 2.1.7(a) and (b) above and Section 4.2.13). Nothing contained in this Section 2.1.7(c) limits Borrower's obligations under Section 2.1.11.

(d) Agent and the Construction Consultant shall use good faith efforts to respond within seven (7) Business Days after Agent's receipt of Borrower's written request for approval of any revised Project Cost Budget together with such proposed revised Project Costs Budget. If Agent fails to respond to such request within seven (7) Business Days and Borrower sends a second request (specially marked in accordance with Section 10.6) and Agent fails to respond to such second request before the expiration of three (3) Business Days after Agent's receipt of such second request, then such proposed revised Project Costs Budget shall be deemed to have been consented to or approved on the terms proposed.

2.1.8 ADVANCES. The Building Loan Budget reflects, by category and line item, the purposes and the amounts for which funds to be advanced by Lenders under this Agreement are to be used. Lenders shall not be required to disburse for any category or line item more than the amount specified therefor in the Building Loan Budget, subject to Sections 2.1.7 and 4.2.13 (or other reallocations approved by Agent in its sole discretion). No Lender is obligated to fund amounts in excess of its Ratable Share of the Building Loan Amount, but if the Building Loan Amount is increased or Agent makes funds available in excess of the total Building Loan Amount, each Lender shall have the right to elect at its own discretion whether to provide funds to Agent to fund amounts in excess of the Building Loan Amount. If and to the extent any Lender shall fund amounts in excess of the Building Loan Amount for any purpose, such Lender's Ratable Share of the Building Loan shall be adjusted from time to time based on the total amounts advanced by all of Lenders from time to time in respect of the Building Loan.

2.1.9 ADVANCES FOR STORED MATERIALS. Lenders shall not be required to disburse any funds for any materials, machinery or other Personal Property not yet incorporated into the Improvements (the "STORED MATERIALS"), unless the following conditions are satisfied:

(a) On-Site Stored Materials. Lenders shall make Advances of the Building Loan in accordance with this Agreement to pay for Hard Costs actually incurred by Borrower for

materials not yet incorporated in the Improvements but stored on site, which materials are required in connection with the construction of the Improvements, provided that (i) such materials are in accordance with the Plans and Specifications accepted by Agent and the Construction Consultant in accordance with the terms hereof; (ii) such materials are securely stored on site, properly inventoried, and clearly stenciled or otherwise marked to indicate that they are the property of Borrower; (iii) the bills of sale and contracts under which such materials are being provided shall be in form and substance reasonably satisfactory to Agent and Construction Consultant; (iv) such materials are insured against casualty, loss and theft in a manner reasonably satisfactory to Agent and Agent is named as a named insured and loss payee on such insurance policy with respect to said materials; (v) Borrower either owns or will, after the payment of the bills and invoices therefor (which payment in full shall occur promptly after the disbursement of the Loan for such materials), own such materials free and clear of all Liens of any nature whatsoever, which ownership shall be established contemporaneously with or promptly after such disbursement by evidence reasonably satisfactory to Agent; (vi) Borrower executes and delivers to Agent such additional security documents as Agent shall reasonably deem necessary to create and perfect a first priority lien in the Stored Materials as additional security for the payment of the Loan; (vii) the aggregate amount of such disbursements of the Building Loan proceeds for such materials shall in no event at any time exceed the actual Hard Costs incurred by Borrower for such materials as verified by Construction Consultant pursuant to the provisions of this Agreement; (viii) the conditions set forth in Section 2.1.9(e) below have been satisfied; and (ix) if required by Agent, the Architect or the Construction Consultant shall certify that it has inspected such materials and they are in good condition and suitable for use in connection with the Project.

(b) Off-Site Stored Materials. Lenders shall in no event or under any circumstances have any obligation to make any disbursement of the Building Loan for materials which are stored off-site unless the conditions set forth in subsections (a) and (e) of this Section 2.1.9 have been satisfied with respect to the materials stored off-site (other than the requirement of clause (ii) contained in Section 2.1.9(a) with respect to the storage of materials on-site) and all such materials covered by any Advance hereunder are stored at a location, other than the Property, reasonably acceptable to Agent and Construction Consultant and are (i) stored in a designated and secure area, conspicuously marked to show that they are the subject of a security interest by Agent and said stored off-site materials will not be moved except in connection with their delivery to the Property or to another storage location that conform with the requirements of this subsection (b); and (ii) effectively segregated (to the extent reasonably possible) from all other materials of whatever kind located at the off-site location in question.

(c) Finally Assembled, Fully Fabricated Major Building Materials. (i) Lenders shall from time to time make Advances in accordance with the terms of this Agreement for the purchase of certain finally assembled, fully fabricated major building materials, which are ready for delivery to the Property but are temporarily stored at off-site locations other than the Property (collectively, "MAJOR BUILDING MATERIALS"), approved by Construction Consultant prior to the delivery to the Property or incorporation into the Improvements of such Major Building Materials; provided, however, that in the case of each such disbursement, the conditions contained in Section 2.1.9(a) above have been satisfied with respect to the Major Building Materials, other than the requirement of clause (ii) contained therein with respect to the storage of such materials on site, and Agent shall have received (A) a written statement from the

manufacturer or storer of such Major Building Materials (or a provision in the purchase order therefor to such effect) that Agent, Construction Consultant and either of their agents may fully inspect such Major Building Materials at all reasonable times and (B) evidence that the conditions set forth in Section 2.1.9(e) below have been satisfied.

(ii) Agent shall have the right in its sole discretion, but not the obligation, to request that Borrower deliver or cause to be delivered to Agent the following documents within five (5) Business Days after the date on which any Advance for Major Building Materials is made: (A) bills of lading, warehouse receipts, delivery receipts or other documents of title with respect to the Major Building Materials for which such advance is made, which shall be in form and substance reasonably satisfactory to Agent in all respects; (B) a Certificate of Borrower in form and substance reasonably satisfactory to Agent in all respects to the effect that such Major Building Materials are either owned or will be owned by Borrower upon payment of the bills and invoices therefor (which payment in full shall occur promptly after disbursement of the Advance for such materials) outright, free and clear of all Liens, other than liens and security interest in favor of Agent for the ratable benefit of Lenders, and that Borrower has complied with all of the terms of this subsection (c). No advance for Major Building Materials shall be made unless the Major Building Materials covered thereby are stored at a location, other than the Property, acceptable to Agent and Construction Consultant, and are (y) stored in a designated and secure area, conspicuously marked to show that they are the subject of a security interest by Agent and said Major Building Materials will not be moved except in connection with their delivery to the Property or to another storage location that conforms with the requirements of this subsection (c); and (z) effectively segregated (to the extent reasonably possible) from all other materials of whatever kind located at the off-site location in question.

(d) Deposits. Lenders shall make Advances of the Building Loan in accordance with this Agreement to pay for deposits (collectively, "PREFABRICATION DEPOSITS") that Borrower is required to post towards materials not yet fully fabricated (i.e., not ready for installation at the Property or incorporation into the Improvements) and other materials that are required in connection with the construction and equipping of the Improvements (collectively, "PREFABRICATED MATERIALS") but for which title has not yet passed to Borrower and, accordingly, a perfected security interest cannot be given to Agent, provided that, the aggregate amount of such disbursements of the Building Loan proceeds for Prefabrication Deposits shall in no event at any time exceed \$10,000,000 less the aggregate amounts previously paid by Borrower for Prefabrication Deposits as part of its Required Equity to the extent that the Prefabricated Materials for which such Prefabrication Deposits were paid by Borrower as part of its Required Equity are still Prefabricated Materials, (it being understood that once title has passed to Borrower and the conditions set forth in Section 2.1.9(a) or (b) or (c) above are satisfied, then the disbursements of the Loan therefor shall not be applied against the aforesaid amount for Prefabrication Deposits).

(e) Limited Amount. The aggregate amount of such disbursements of the Building Loan for such materials which are stored on-site together with any materials which are stored off-site (including, but not limited to, Major Building Materials) and together with any Prefabricated Materials for which Prefabrication Deposits for which such disbursements were

made and which is outstanding at any given time shall in no event exceed \$50,000,000 less the aggregate amounts previously paid by Borrower for Stored Materials (including Major Building Materials) and Prefabricated Deposits on account of Prefabricated Materials as part of its Required Equity to the extent that such Stored Materials and such Prefabricated Materials have as of the date of such disbursement not yet been incorporated into the Improvements (it being understood that once the Stored Materials and/or Major Building Materials and/or Prefabricated Materials are incorporated into the Project, the cost thereof shall not be applied to the limit described in this Section 2.1.9(e)).

2.1.10 AMOUNT OF ADVANCES. (a) In no event shall any Advance exceed the full amount of Building Loan Costs theretofore paid or to be paid with the proceeds of such Advance plus any Building Loan Costs incurred by Borrower through the date of the Draw Request for such Advance minus (i) with respect to any such Building Loan Costs that are Hard Costs of construction, the applicable Retainage for each contract and subcontract and (ii) the aggregate amount of any Advances previously made by Lenders. It is further understood that the Retainage described above is intended to provide a contingency fund protecting Lenders against failure of Borrower or Guarantor to fulfill any obligations under the Building Loan Documents, and that Lenders may charge amounts against such Retainage in the event Lenders are required or elect to expend funds to cure any Default or Event of Default in accordance with the terms hereof or of any of the other Loan Documents.

(b) The Retainage shall be advanced on a contract-by-contract basis after final completion of all construction work provided for under such contract, subject to reasonable approval thereof by the Construction Consultant and receipt by Agent of final lien waiver(s) for said contract.

(c) No Advance of the Building Loan by the Lenders shall be deemed to be an approval or acceptance by the Lenders of any work performed thereon or the materials furnished with respect thereto.

2.1.11 LOAN BALANCING. If at any time Agent notifies Borrower that, in Agent's sole but reasonable judgment, the undisbursed proceeds of the Building Loan and Supplemental Loan are insufficient to pay the remaining Hard Costs and Soft Costs and the undisbursed proceeds of the Project Loan are insufficient to pay the remaining Project Loan Costs (the amount of such deficiency being herein referred to as the "SHORTFALL") or, if at any time after a Casualty or Condemnation shall have occurred, Agent notifies Borrower that, in Agent's sole but reasonable judgment, the undisbursed proceeds of the Building Loan and Supplemental Loan together with any Net Proceeds actually received by Agent and not yet disbursed by Agent for Restoration and together with the undisbursed proceeds of the Project Loan are insufficient to pay the remaining Hard Costs and Soft Costs and (with respect to Project Loan proceeds only) Project Loan Costs to achieve Completion of the Improvements or completion of the Restoration (as the case may be), then, in any such case, Borrower shall, at its option, either (i) within ten (10) Business Days of Agent's notification as aforesaid, deposit with Agent an amount equal to such deficiency, which Agent shall from time to time apply, or allow Borrower to apply, to such costs; (ii) pay for such Hard Costs and Soft Costs and, if relevant Project Loan Costs or costs of Restoration, as incurred, in the amount of such deficiency so that the amount of the Building Loan and Supplemental Loan which remains to be disbursed shall be sufficient to pay all remaining Hard Costs and Soft Costs and the amount of the Project Loan which remains to be disbursed shall be sufficient to pay

all remaining Project Loan Costs to achieve Completion of the Improvements (and, if relevant, when added to the amount of any Net Proceeds actually received by Agent and not yet disbursed by Agent for Restoration, to achieve completion of the Restoration), and Borrower shall furnish Agent with such evidence thereof as Agent shall reasonably require; or (iii) post a Letter of Credit in the amount of such deficiency. Borrower hereby agrees that Agent, for the benefit of Lenders, shall have a lien on and security interest in any sums deposited pursuant to clause (i) above and that Borrower shall have no right to withdraw any such sums except for the payment of the aforesaid costs as approved by Agent. Agent and Lenders shall have no obligation to make any further advances of proceeds of the Loan or to disburse any Net Proceeds to Borrower (subject to and in accordance with the terms and conditions set forth in Article V hereof and the corresponding provisions of the Supplemental Loan Agreement and the Project Loan Agreement, to the extent applicable), until the sums required to be deposited pursuant to clause (i) above have been deposited, Borrower has actually paid such Hard Costs and Soft Costs and Project Loan Costs, as the case may be, (and, if relevant, the costs of Restoration) pursuant to clause (ii) above, or until Borrower has posted a Letter of Credit pursuant to clause (iii) above, as the case may be, and, in any such case, the Loan is back "in balance." Any such sums not used as provided in said clause (i) shall be released to Borrower when and to the extent that Agent reasonably determines that the amount thereof is more than the excess, if any, of the total remaining costs of completion of the Improvements over the undisbursed balance of the Loan, provided, however, that should an Event of Default occur and be continuing, Agent shall, at the option of the Majority Lenders, apply such amounts either to the costs of completion of the Improvements or to the immediate reduction of outstanding principal and/or interest under the Note.

2.1.12 QUALITY OF WORK. No Advance or any portion thereof shall be made with respect to defective work or to any contractor that has performed work that is defective and that has not been cured, as confirmed by the report of the Construction Consultant, but Lenders may disburse all or part of any Advance before the sum shall become due if Agent believes it advisable to do so, and all such Advances or parts thereof shall be deemed to have been made pursuant to this Agreement.

2.1.13 REQUIRED EQUITY. All Required Equity shall be contributed (i.e., expended by Borrower and invested in the Property for Building Loan Costs and Project Loan Costs or any other approved cost in connection with the construction of the Improvements) before any Advances other than the Initial Advance of the Building Loan, or any advances of the Supplemental Loan or the Project Loan shall be made. Borrower shall not be deemed to have contributed Required Equity with respect to any expenditures made by Borrower for Building Loan Costs or Project Loan Costs unless at the time that Borrower is establishing the amount of its Required Equity Borrower would have been entitled to an Advance under this Agreement or the corresponding provisions of the Supplemental Loan Agreement (and a disbursement under the Cash Collateral Agreement) and the Project Loan Agreement, as the case may be, for such expenditures (assuming for this purpose only that the requirements of this Section 2.1.13 and of Section 2.1.11 of this Agreement and the corresponding provisions, if any, in the Supplemental Loan Agreement, Cash Collateral Agreement and Project Loan Agreement are satisfied). Agent acknowledges that as of the Closing Date Borrower has contributed \$87,338,207 of the Required Equity.

SECTION 2.2 INTEREST RATE.

2.2.1 INTEREST.

(a) Applicable Interest Rate. The outstanding principal amount of the Building Loan shall bear interest, as provided below, at the Applicable Interest Rate from time to time in effect based upon the LIBO Adjusted Rate or the Base Rate, as Borrower may select as provided below, and Borrower may convert any portion of the principal amount of the Building Loan from one type to another as provided herein; provided, that the portion of the principal amount of the Building Loan converted as aforesaid shall not be less than the minimum amount set forth in Section 2.2.2.

(b) Computation of Interest and Fees. All interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed to the relevant Payment Date, including the first day and excluding the last day (i.e., the relevant Payment Date) and shall be payable in arrears on the first Business Day of the calendar month immediately following the Closing Date and, thereafter, monthly on the first Business Day of each calendar month during the term of the Loan. If a LIBOR Loan or a Base Rate Loan is repaid on the same day on which it is made one (1) day's interest shall be paid on such Loan as well as any amounts payable pursuant to Section 2.2.7. Any change in the Prime Rate or the Federal Funds Rate shall be effective as of the day on which such change in rate occurs. Each determination of an interest rate by Agent pursuant to any provision of this Agreement shall be conclusive and binding on Borrower in the absence of manifest error. Notwithstanding the foregoing, interest payable at the Default Rate following an Event of Default shall be payable from time to time on demand of Agent and in any event, upon the payment or prepayment of any principal of any portion of the Loan, accrued, unpaid interest on the principal amount so paid or prepaid shall be due and payable.

(c) Conversion and Continuation Options.

(i) Base Rate Loan to LIBOR Loan. Subject to the provisions of Section 2.2.2, Borrower may elect pursuant to a Rate Request to convert all or any portion of the outstanding Base Rate Loan to LIBOR Loans provided that no Loan may be converted to a LIBOR Loan: (i) when any Event of Default has occurred under any of the Loan Documents and is continuing and Agent has determined that such a conversion is not appropriate; or (ii) after the date which is one month prior to the Maturity Date.

(ii) LIBOR Loan to Base Rate Loan. Borrower may elect pursuant to a Rate Request to convert all or any portion of the outstanding LIBOR Loans upon the expiration date of its then current Interest Period to a Base Rate Loan.

(iii) LIBOR Loan to LIBOR Loan. Subject to the provisions of Section 2.2.2, any LIBOR Loan may be continued upon the expiration date of its then current Interest Period by Borrower pursuant to a Rate Request, provided that no LIBOR Loan may be continued: (i) when any Event of Default has occurred and is continuing and Agent has determined that such a continuation is not appropriate or (ii) after the date that is one month prior to the Maturity Date. If Borrower fails to submit a Rate Request to Agent in

accordance with the provisions of this paragraph, the outstanding LIBOR Loan shall automatically be continued as a one month LIBOR Loan unless the remaining term of the Loan is less than one month in which case the outstanding LIBOR Loan shall automatically be continued as a Bate Rate Loan.

2.2.2 MINIMUM AMOUNTS AND MAXIMUM NUMBER OF INTEREST PERIODS.

All borrowings, conversions and continuations of the Loan and all selections of Interest Periods, except for borrowings for interest on the Loan and/or fees and expenses of Agent and Lenders, shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of each LIBOR Loan shall be at least equal to \$1,000,000. No more than six (6) LIBOR Loan Interest Periods and one (1) Base Rate Loan in the aggregate may be outstanding at any time under this Agreement, the Supplemental Loan Agreement and the Project Loan Agreement and the Note.

2.2.3 CERTAIN NOTICES. Notices by Borrower to Agent of

borrowings hereunder, optional prepayments of the Building Loan, selection of the duration of Interest Periods, and conversion to or continuation of a LIBOR Loan or a Base Rate Loan shall be irrevocable and shall be effective only if received by Agent in writing or telephonically not later than 11:00 a.m. New York time (and if telephonically, also confirmed in writing by 5:00 p.m. New York time) on the number of Business Days prior to the date of the relevant occurrence specified below:

Notice	Prior Notice Requirements
Borrowing (including initial selection of Base Rate Loan/LIBOR Loan/Cost of Funds Rate Loan/Interest Period for each borrowing)	3 London Business Days for LIBOR Loan 1 Business Day for Base Rate Loan (and, with respect to the Initial Advance only, if a LIBOR Loan)
Optional Prepayment	5 Business Days
Selection of duration of Interest Period	3 London Business Days
Conversion to LIBOR Loan or Base Rate Loan or continuation as LIBOR Loan	3 London Business Days

Each notice of optional prepayment shall specify the amount of the Building Loan to be prepaid, the date of prepayment (which shall be a Business Day) and such other details as Agent may reasonably request. Notwithstanding the foregoing or anything else to the contrary contained herein, Agent and Lenders shall have the right to apply any prepayment of the Loan, regardless of how specified by Borrower, in such order and priority as between the Building Loan, the

Supplemental Loan and the Project Loan as Agent shall designate in its sole discretion. The Borrower hereby acknowledges that it is Agent's and Lenders' expectation that prepayments shall be applied first in payment of the Project Loan, then in payment of the Supplemental Loan and, lastly, in payment of the Building Loan.

2.2.4 ADDITIONAL COSTS. (a) If interest is based on a LIBO Adjusted Rate, Borrower shall pay to Agent from time to time, within ten (10) days after demand therefor by Agent, such amounts as each Lender may reasonably determine to be sufficient to compensate such Lender for any costs that such Lender reasonably determines are attributable to its making or maintaining of any portion of the Loan as a LIBOR Loan or its obligation to make any portion of the Loan as a LIBOR Loan hereunder, or any reduction in any amount receivable by such Lender hereunder in respect of a LIBOR Loan or such obligation (such increases in costs and reductions in amounts receivable being herein called "ADDITIONAL COSTS"), in each case resulting from and limited to the amounts necessary to compensate each Lender for any Regulatory Change (I) which affects similarly situated banks or financial institutions generally and is not applicable to such Lender primarily by reason of such Lender's particular conduct or condition and (II) which:

(i) changes the basis of taxation of any amounts payable to such Lender under this Agreement or the Note (other than Excluded Taxes); or

(ii) imposes or modifies any reserve, special deposit or similar requirements (other than the Reserve Requirement utilized in the determination of the LIBO Rate) relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Lender (including, without limitation, any such deposits referred to in the definition of "LIBO Rate"), or any commitment of such Lender (including, without limitation, the commitment of such Lender hereunder); or

(iii) imposes any other condition affecting this Agreement or the Building Loan Note (or any of such extensions of credit or liabilities referred to in subdivision (ii) above).

Notwithstanding anything to the contrary contained in this Section 2.2.4, Additional Costs may be imposed on Borrower by Agent on behalf of each Lender only if such Additional Costs are generally being imposed by such Lender on similarly situated borrowers (as reasonably determined by such Lender).

(b) Without limiting the effect of the provisions of clause (a) of this Section 2.2.4 (but without duplication), in the event that, by reason of any Regulatory Change which affects similarly situated banks or financial institutions generally and is not applicable to a Lender primarily by reason of such Lender's particular conduct or condition, any Lender incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of such Lender that includes deposits by reference to which the LIBO Rate is determined as provided in this Agreement or a category of extensions of credit or other assets of such Lender that includes the portion of the Building Loan evidenced by such Lender's Note, then, if such Lender so elects by notice to Agent and Borrower, the obligation of such Lender to make or continue such portion of the Building Loan based on the

LIBO Adjusted Rate hereunder shall be suspended effective on the last day of the then current Interest Period, until such Regulatory Change ceases to be in effect and the portion of the Building Loan evidenced by such Lender's Building Loan Note shall, during such suspension, bear interest at the Base Rate plus the Base Rate Margin.

(c) Without limiting the effect of the foregoing provisions of this Section 2.2.4 (but without duplication), Borrower shall pay to each Lender from time to time on request such amounts as such Lender may reasonably determine to be necessary to compensate such Lender (or, without duplication, the bank holding company of which such Lender is a subsidiary) for any costs that it reasonably determines are attributable to the maintenance by such Lender (or any Applicable Lending Office or such bank holding company of such Lender), pursuant to any law or regulation or any interpretation, directive or request (whether or not having the force of law) of any Governmental Authority (i) following any Regulatory Change or (ii) implementing any risk-based capital guideline or other requirement (whether or not having the force of law) applying to a class of banks including such Lender, hereafter issued by any government or governmental or supervisory authority implementing at the national level the Basle Accord (including, without limitation, the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 C.F.R. Part 208, Appendix A; 12 C.F.R. Part 225, Appendix A) and the Final Risk-Based Capital Guidelines of the office of the Comptroller of the Currency (12 C.F.R. Part 3, Appendix A)), of capital in respect of the commitment to lend or the Ratable Share of the Building Loan of such Lender (such compensation to include, without limitation, an amount equal to the reduction of the rate of return on capital of such Lender (or any Applicable Lending Office or such bank holding company of such Lender) to a level below that which such Lender (or any Applicable Lending Office or such bank holding company of such Lender) would have achieved but for such increase in capital due to such law, regulation, interpretation, directive or request), after taking into consideration such Lender's policies and practices and the policies and practices of such Lender's holding company with respect to capital adequacy. For purposes of this Section 2.2.4(c), "BASLE ACCORD" shall mean the proposals for risk-based capital framework described by the Basle Committee on Banking Regulations and Supervisory Practices in its paper entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988, as amended, modified and supplemented and in effect from time to time or any replacement thereof.

(d) Each Lender shall notify Agent and Borrower of any event occurring after the date of this Agreement entitling Lender to compensation under clause (a) or (c) of this Section 2.2.4 as promptly as practicable, and shall designate a different Applicable 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 such Lender, be materially disadvantageous to such Lender. Such Lender shall furnish to Borrower a certificate setting forth the basis and amount of each request by such Lender for compensation under clause (a) or (c) of this Section 2.2.4. Determinations and allocations by each Lender for purposes of this Section 2.2.4 of the effect of any Regulatory Change pursuant to subsection (a) or (b) of this Section 2.2.4, or of the effect of capital maintained pursuant to subsection (c) of this Section 2.2.4, on its costs or rate of return of maintaining its Ratable Share of the Building Loan or its obligation to make such Building Loan, or on amounts receivable by it in respect of the Building Loan, and of the amounts required to compensate each Lender under this Section 2.2.4, shall constitute prima facie evidence thereof. Each Lender shall confirm to Borrower at the time

it makes any claim under this Section 2.2.4 that the methods of determination and allocation used by it in determining the amount of such claim are reasonably consistent with such Lender's treatment of customers similar to Borrower (as reasonably determined by such Lender). In the event any Lender makes a request for compensation under subsection (a) or (c) of this Section 2.2.4, Borrower shall, upon payment of the amount of compensation so requested, have the right to prepay the Loan in full, without penalty or premium but subject to payment of all amounts due and payable pursuant to Section 2.2.7, on the last day of any then current Interest Period with respect to which such compensation has been requested. Borrower shall not be required to compensate a Lender pursuant to this Section 2.2.4 for any additional costs incurred more than 90 days prior to the date that such Lender knew of the changes giving rise to such increased costs and of such Lender's intention to claim compensation therefor under this Section.

2.2.5 LIBO RATE. Anything herein to the contrary notwithstanding, if, on or prior to the determination of any LIBO Adjusted Rate for any Interest Period,

(a) any Lender reasonably determines that quotations of interest rates for the relevant deposits referred to in the definition of "LIBO Rate" are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for any LIBOR Loan as provided herein; or

(b) any Lender reasonably determines that by reason of circumstances affecting the London interbank market the relevant rates of interest referred to in the definition of "LIBO Rate" upon the basis of which the rate of interest for the LIBOR Loan for such Interest Period is to be determined are not likely adequately to cover the cost to such Lender of making or maintaining a LIBOR Loan for such Interest Period;

then such Lender shall give Borrower and Agent prompt notice thereof and, so long as such condition remains in effect, such Lender shall be under no obligation to make its Ratable Share of any such LIBOR Loan but shall remain obligated to make its Ratable Share of a Base Rate Loan for a corresponding amount, or if any portion of the Loan is already outstanding as a LIBOR Loan, such portion shall, commencing immediately after the end of the then current Interest Period, bear interest at the Base Rate plus the Base Rate Margin. Each such Lender shall promptly notify Borrower and Agent upon the cessation of any facts and circumstances which resulted in suspension under this Section 2.2.5, whereupon Borrower's right to cause the Building Loan or any portion thereof to be a LIBOR Loan shall be reinstated.

2.2.6 ILLEGALITY. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Lender or its Applicable Lending Office to honor its obligation to make or maintain its Ratable Share of the Building Loan, then such Lender shall promptly notify Borrower and Agent thereof and such Lender's obligation to make its Ratable Share of the Building Loan shall be suspended (provided that, if requested by Borrower, such Lender's Ratable Share of the Building Loan shall automatically be converted to a Base Rate Loan if doing so would enable such Lender to lawfully honor its obligation to make or maintain its Ratable Share of the Building Loan) until such time as such Lender may again make its Ratable Share of the Building Loan and Borrower shall, if required by applicable law, upon the request of such Lender, prepay a portion of the Building Loan equal to the Ratable Share of such Lender together with accrued interest thereon, but without compensation to such Lender pursuant

to Section 2.2.7. Notwithstanding the foregoing, such Lender shall, as promptly as practicable, designate a different Applicable Lending Office for the Loan if doing so would enable it to lawfully honor its obligation to make or maintain its Ratable Share of the Loan.

2.2.7 BREAKAGE COSTS. (a) Borrower agrees to compensate each Lender for any loss, cost or expense incurred by it as a result of (a) a default by Borrower in making a borrowing of, conversion into or continuation of a LIBOR Loan after such Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) a default by Borrower in making any prepayment of a LIBOR Loan after such Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making of a prepayment (mandatory or optional) of a LIBOR Loan for any reason (including, without limitation, the acceleration of the maturity of the Loan pursuant to Section 9.1, the payment of Contingent Amortization pursuant to Section 4.1.11 or a prepayment of the Loan in connection with a release of a Residential Unit pursuant to Section 4.1.37), other than a prepayment of the Loan pursuant to Section 2.2.6, on a day that is not the last day of an Interest Period with respect thereto.

(b) Each such Lender will furnish to Borrower a certificate setting forth the basis and amount of each request by Lender for compensation under this Section 2.2.7, which certificate shall provide reasonable detail as to the calculation of such loss, cost or expense. Such certificate shall constitute prima facie evidence of the amount of such loss, cost or expense, which shall be calculated by such Lender on a reasonable and customary basis, consistent with the basis on which such calculations are then being made by similarly situated banks or financial institutions generally.

2.2.8 WITHHOLDING TAXES. Borrower agrees to pay to each Lender such additional amounts as are necessary in order that the net payment of any amount due hereunder or under any of the other Building Loan Documents to such Lender, after deduction for or withholding of any present or future tax imposed by the United States (subject, in either case, to the provisions of this Section 2.2.8), excluding Excluded Taxes of such Lender, will be the amount that would be required to be paid hereunder or thereunder in the absence of such deduction or withholding. Each Lender shall provide Borrower with a form prescribed by the United States Internal Revenue Service (currently, Form W-8ECI or Form W-8BEN) certifying such Lender's exemption from United States withholding taxes with respect to all payments to be made to such Lender under this Agreement and any other Building Loan Document at the date of such certificate, and if any Lender fails to provide Borrower with the prescribed form referred to in the preceding sentence, indicating that such payments are not subject to United States withholding tax or are subject to such tax at a rate reduced to zero by an applicable tax treaty, Borrower may withhold taxes from payments to or for the account of such Lender at the applicable statutory rate and shall not be obligated to pay any additional amounts described

in the first sentence of this Section in respect of the Building Loan; provided, that this sentence shall be inapplicable to such Lender in the event that such Lender is not able to make the certification set forth in such prescribed form as a result of a change in United States federal income tax law, regulation or judicial or administrative interpretation occurring after the date hereof, or of an amendment, modification or revocation of an applicable tax treaty or a change in official position regarding the application or interpretation thereof, in each case, occurring after the date hereof. In the event that Borrower is obligated to pay any additional amounts described in the first sentence of this section in respect of the Building Loan, Lender shall make commercially reasonable efforts to change the jurisdiction of its Applicable Lending Office if, in the reasonable judgment of such Lender, doing so would eliminate or reduce Borrower's obligation to pay such additional amounts and would not be disadvantageous to such Lender.

SECTION 2.3 USURY SAVINGS.

2.3.1 USURY SAVINGS. This Agreement and the other Building Loan Documents are subject to the express condition that at no time shall Borrower be required to pay interest on the principal balance of the Building Loan at a rate which could subject Lenders 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 Building Loan Documents, Borrower is at any time required or obligated to pay interest on the principal balance due hereunder at a rate in excess of the Maximum Legal Rate, 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 and not on account of the interest due hereunder. All sums paid or agreed to be paid to Agent or Lenders for the use, forbearance, or detention of the sums due under the Building Loan, shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Building Loan until payment in full so that the rate or amount of interest on account of the Building Loan does not exceed the Maximum Legal Rate from time to time in effect and applicable to the Building Loan for so long as the Building Loan is outstanding.

SECTION 2.4 LOAN PAYMENTS.

2.4.1 PAYMENT BEFORE MATURITY DATE. Borrower shall make a payment to Agent of interest only at the Interest Rate on each Payment Date during the term of the Building Loan; each payment to be calculated in the manner set forth in Section 2.2.1. In addition, if the term of the Loan is extended in accordance with the provisions hereof, then upon the occurrence of any Contingent Amortization Trigger Event, Borrower shall make payments of Contingent Amortization as required pursuant to Section 4.1.11.

2.4.2 PAYMENT ON MATURITY DATE. Borrower shall pay to Agent the outstanding principal balance of the Building Loan, all accrued and unpaid interest and all other amounts due hereunder and under the Building Loan Note, the Building Loan Mortgage and the other Building Loan Documents on the Maturity Date.

2.4.3 LATE PAYMENT PREMIUM. If any principal, interest or any other sum due under the Building Loan Documents is not paid by Borrower within five (5) days of the date on which it is due (other than the principal payment due on the Maturity Date), Borrower shall pay to Agent upon demand an amount equal to the lesser of five percent (5%) of such unpaid sum or the maximum amount permitted by applicable law in order to defray the expense incurred by Agent in handling and processing such delinquent payment and to compensate Lenders for the loss of the use of such delinquent payment. Any such amount shall be secured by the Building Loan Mortgage and the other Building Loan Documents.

2.4.4 INTEREST RATE AND PAYMENT AFTER DEFAULT. In the event that, and for so long as, any Event of Default shall have occurred and be continuing, the outstanding principal balance of the Building Loan shall accrue interest at the Default Rate, calculated from the date that such Event of Default occurred, except that for a payment default, the Default Rate shall accrue from the original due date of such payment.

2.4.5 METHOD AND PLACE OF PAYMENT. (a) Except as otherwise specifically provided herein, all payments and prepayments under this Agreement and the Building Loan Note shall be made to Agent not later than 1:00 p.m., New York City time, on the date when due and shall be made in lawful money of the United States of America in immediately available funds at Agent's office, and any funds received by Agent after such time shall, for all purposes hereof, be deemed to have been paid on the next succeeding Business Day.

(b) Whenever any payment to be made hereunder or under any other Building Loan Document shall be stated to be due on a day which is not a Business Day, the due date thereof shall be the next preceding Business Day.

SECTION 2.5 PREPAYMENT.

2.5.1 VOLUNTARY PREPAYMENTS. (a) Borrower may prepay the Building Loan, in whole or in part, without premium or penalty, provided that Borrower gives to Agent not less than five (5) Business Days prior notice, which notice shall be irrevocable and shall specify: (i) the date and amount of the prepayment; (ii) whether the prepayment is of LIBOR Loans, Base Rate Loan or a combination thereof, and, if a combination thereof, the amount allocable to each; and (iii) in the case of prepayment of LIBOR Loans the expiration date of the applicable LIBOR Loan. Prepayment of all or any portion of the Loan may be made in accordance with this paragraph provided that: (i) the principal amount prepaid is not less than \$1,000,000.00 and is in increments of \$100,000.00 except for prepayments being made in connection with the sale of a Residential Unit in accordance with Section 4.1.37(i); (ii) all accrued and unpaid interest to and including the date of such prepayment on the amount being prepaid is then paid; (iii) any amounts payable pursuant to Sections 2.2.7 and 2.4.3 are then paid; (iv) any sums payable by Borrower to the Counterparty in connection with the early termination or partial termination of the Interest Rate Protection Agreement are then paid; and (v) all fees and expenses incurred by Agent in connection with the Loan and/or with the prepayment are then paid to the extent payable to Agent in accordance with the terms hereof.

(b) In each instance of prepayment permitted under this Section 2.5.1, Borrower shall be required to pay all other sums due and payable hereunder (including under Section 2.2.7), and no principal amount repaid may be reborrowed.

(c) Notwithstanding Section 2.5.1(a) but subject to Section 2.5.1(b), proceeds from the sale of Residential Units shall be applied in reduction of the principal amount of the Loan in accordance with Section 4.1.37(i).

(d) Except as otherwise expressly permitted herein, the principal balance of the Building Loan may not be prepaid in whole or in part.

2.5.2 MANDATORY PREPAYMENTS. (a) On each date on which Agent actually receives a distribution of Net Proceeds and if Agent is not required to make such Net Proceeds available to Borrower for the Restoration of the Property pursuant to Section 5.3, Agent may, in its sole and absolute discretion, elect to either make the Net Proceeds available for Restoration pursuant to Section 5.3 or use the Net Proceeds to prepay the outstanding principal balance of the Building Loan Note, the Supplemental Loan Note and/or the Project Loan Note, as determined by Agent, in an amount equal to one hundred percent (100%) of such Net Proceeds, with any excess payable to Borrower.

(b) In addition, if the term of the Loan is extended, upon the occurrence of any Contingent Amortization Trigger Event, Borrower shall prepay without premium or penalty the amount of Contingent Amortization as required pursuant to Section 4.1.11.

(c) In each instance of prepayment under this Section 2.5.2, Borrower shall be required to pay all other sums due hereunder (including under Section 2.2.7), and no principal amount repaid may be reborrowed.

2.5.3 MISCELLANEOUS. (a) The making of an Advance by Agent and/or Lenders shall not constitute Agent's and/or Lenders' approval or acceptance of the construction theretofore completed. Agent's inspection and approval of the Plans and Specifications, the construction of the Improvements, or the workmanship and materials used therein, shall impose no liability of any kind on Agent or Lenders, the sole obligation of Agent and Lenders as the result of such inspection and approval being to make the Advances if and to the extent, required by this Agreement.

(b) ALL POTENTIAL LIENORS ARE HEREBY CAUTIONED TO EXERCISE SOUND BUSINESS JUDGMENT IN THE EXTENSION OF CREDIT TO BORROWER. NO POTENTIAL LIENOR SHOULD EXPECT LENDERS TO MAKE ADVANCES OF THE BUILDING LOAN IN AMOUNTS AND AT TIMES SUCH THAT IT WILL NOT BE NECESSARY FOR EACH SUCH POTENTIAL LIENOR TO EXERCISE SOUND BUSINESS JUDGMENT IN THE EXTENSION OF CREDIT TO BORROWER. MOREOVER, ALL POTENTIAL LIENORS ARE REMINDED THAT SUBDIVISION (3) OF SECTION 13 OF THE NEW YORK LIEN LAW PROVIDES THAT "NOTHING IN THIS SUBDIVISION SHALL BE CONSIDERED AS IMPOSING UPON THE LENDERS ANY OBLIGATION TO SEE TO THE PROPER APPLICATION OF SUCH ADVANCES BY THE OWNER," AND LENDERS DO NOT IMPOSE SUCH AN OBLIGATION ON ITSELF.

SECTION 2.6 PAYMENTS NOT CONDITIONAL.

2.6.1 PAYMENTS NOT CONDITIONAL. All payments required to be made by Borrower hereunder or under the Building Loan Note or the other Building Loan Documents shall be made irrespective of, and without deduction for, any setoff, claim or counterclaim and shall be made irrespective of any defense thereto.

SECTION 2.7 CONDITIONS PRECEDENT.

2.7.1 CONDITIONS PRECEDENT. The Agent shall not be obligated to make any disbursement of the Building Loan unless Agent is reasonably satisfied that the conditions

precedent to the making of such disbursement, as set forth in this Agreement, have been satisfied by Borrower.

SECTION 2.8 INTEREST AND FEE ADVANCES.

2.8.1 INTEREST AND FEE ADVANCES. Notwithstanding the provisions of Section 2.9.1, provided that the conditions set forth in Sections 2.9.2(c) and 2.10.3 are satisfied, Advances for the payment of interest, if any, due under the Building Loan Note, the fees of Agent and/or Lenders, if any, due under the Loan Fee Letter or hereunder (including, without limitation, the Administrative Fee and any Special Loan Fee) and the fees of the Construction Consultant shall be made in accordance with Section 2.10.3, which Advances shall be deemed not to be the Initial Advance. In accordance with the procedures of Section 2.10.3, each Lender shall make such Advances to Agent (i) for Advances to the Construction Consultant for payment of its fees, for Advances to Agent for payment of the Administrative Fee or Special Loan Fee and (iii) for Advances for the payment of interest.

SECTION 2.9 CONDITIONS PRECEDENT TO DISBURSEMENT OF BUILDING LOAN PROCEEDS.

2.9.1 CONDITIONS OF INITIAL ADVANCE. Agent and Lenders shall not be obligated to make the first Advance of the Building Loan (the "INITIAL ADVANCE") unless and until all of the conditions precedent set forth in this Section 2.9.1 have been satisfied:

(a) Payment of Fees and Delivery of Loan Fee Letter. Payment by Borrower of all fees and expenses required by this Agreement, to the extent due and payable, including, without limitation, Agent's reasonable attorneys' fees and expenses, all origination fees, and brokerage commissions and delivery to Agent of an original counterpart of the Loan Fee Letter, duly executed by Borrower.

(b) Intentionally Omitted.

(c) Building Loan Documents. The Building Loan Documents, in form and substance satisfactory to Lenders, shall have been duly executed and delivered by the parties thereto and shall be in full force and effect, and Agent shall have received the originals or fully executed counterparts thereof.

(d) Construction Documents.

(i) The Architect's Contract and the Construction Management Agreement, both in form and substance satisfactory to Agent, shall have been duly executed and delivered by the parties thereto, shall be in full force and effect and Agent shall have received a certified or a fully executed counterpart thereof. Borrower's Architect and the Construction Manager shall have duly executed and delivered to Agent a consent to the assignment of the Architect's Contract and the Construction Management Agreement in form and substance satisfactory to Agent, and Agent shall have received the original or a fully executed counterpart thereof.

(ii) Borrower shall have entered into (duly executed and delivered) a contract with Construction Manager in form and substance satisfactory to Agent, for the construction of the Improvements.

(e) Construction Documents.

(i) Construction Manager. Borrower shall deliver to Agent a fully executed copy of the Construction Management Agreement, which agreement shall be approved by Agent in its sole discretion. Construction Manager shall have executed and delivered to Agent an original certificate, consenting to the assignment of the Construction Management Agreement, substantially in the form of SCHEDULE XIV.

(ii) Trade Contracts/Major Trade Contracts. Borrower shall have delivered to Agent, and Agent shall have approved, a list, certified by Borrower, of all Trade Contractors who have been or, to the extent identified by Borrower, will be supplying labor or materials for the Property. In addition, Borrower shall deliver to Agent and the Construction Consultant correct and complete copies of: (i) all executed Trade Contracts, each such Trade Contract may be entered into without the prior consent of Agent and the Construction Consultant; and (ii) all executed Major Trade Contracts, each such Major Trade Contract shall be approved by Agent and the Construction Consultant in their reasonable discretion.

(iii) Architect and Other Design Professional(s). Borrower shall deliver to Agent fully executed copies of the Architect's Agreement and Other Design Professional's Agreement(s), which agreements shall be approved by Agent in its reasonable discretion for the design of the Improvements. Borrower's Architect shall have executed and delivered to Agent an original certificate, consenting to the assignment of the Architect's Agreement substantially in the form of SCHEDULE XVI.

(iv) Standard Form of Trade Contract. Borrower shall deliver to Agent a copy of the standard form of contract and/or subcontract to be used by Construction Manager, which standard form shall be approved by Agent in its reasonable discretion.

(v) Other Bids. If in the reasonable judgment of Agent and the Construction Consultant all Trade Contracts, Major Trade Contracts, and the Construction Management Agreement do not cover all of the work necessary for completion of Construction of the Improvements, Borrower shall cause to be furnished firm bids from responsible parties, or estimates and other information reasonably satisfactory to Agent, for the work not so covered, to enable Agent to ascertain the total estimated cost of all work done and to be done.

(vi) Construction Consultant Certificate. Each draw request relating to Hard Costs shall be accompanied by a certificate or report of the Construction Consultant to Agent based upon a site observation of the Building made by the Construction Consultant not more than thirty (30) days prior to the date of such draw, in which the Construction Consultant shall, in substance: (i) for the Initial Advance only, indicate its review and acceptance of the Plans and Specifications; (ii) verify that the portion of the

Improvements completed as of the date of such site observation has been completed substantially in accordance with the Plans and Specifications; and (iii) state its estimate of (1) the percentages of the construction of the Improvements completed as of the date of such site observation on the basis of work in place as part of the Improvements and the Budget, (2) the Hard Costs actually incurred for work in place as part of the Improvements as of the date of such site observation, (3) the sum necessary to complete construction of the Improvements in accordance with the Plans and Specifications; and (4) the amount of time from the date of such inspection that will be required to achieve Completion of the Base Building Work and, thereafter Completion of the Improvements. Agent shall use good faith efforts to cause the Construction Consultant to perform its responsibilities under this Agreement

(vii) Payment and Performance Bonds. The Borrower shall cause payment and performance bonds (the "BONDS"), in form and substance satisfactory to Agent and issued by sureties satisfactory to Agent, to be maintained with respect to the obligations of each Trade Contractor that has a Major Trade Contract, after taking into account all change orders. The Bonds shall be in an amount not less than the full contract price for each such Major Trade Contract. The Bonds shall have attached thereto a dual obligee and modification rider in the form attached hereto as SCHEDULE XX.

(viii) Plans and Specifications. Borrower shall deliver to the Construction Consultant a complete set of the Plans and Specifications and any and all modifications and amendments made thereto. Borrower shall deliver to Agent a list identifying the Plans and Specifications and any and all modifications and amendments made thereto.

(ix) Draw Request. Borrower shall submit a Draw Request in accordance with the provisions of this Agreement.

(x) Architect's Certificates. Borrower shall cause to be delivered to Agent certificates from Borrower's Architect (the "ARCHITECT'S CERTIFICATE") and any Other Design Professionals substantially in the forms attached hereto as SCHEDULE XVI and SCHEDULE VII.

(xi) Construction Manager's Certificates. Borrower shall cause to be delivered to Agent certificates from the Construction Manager (the "CONSTRUCTION MANAGER'S CERTIFICATE") substantially in the relevant form attached hereto as SCHEDULE XIV.

(xii) Preliminary Project Report. The Preliminary Project Report shall have been delivered to Agent by the Construction Consultant.

(xiii) Spreadsheet. A Spreadsheet of line-items (the "SPREADSHEET") in the form set forth in SCHEDULE IV.

(xiv) Lien Waivers. Borrower shall deliver duly executed lien waivers in the form set forth in SCHEDULE XI or SCHEDULE XII, as applicable, from all Trade Contractors for all work performed, and all labor or material supplied for which payment thereof has been made prior to the date of the Initial Advance; provided, however, that Borrower shall only be required to use reasonable efforts to obtain such lien waivers from

Trade Contractors with respect to any completed work performed and labor or materials supplied and paid for more than eight (8) months prior to the date of the Initial Advance but as to any such work, labor or materials Borrower shall be required to deliver to Agent proof of payment.

(f) Title Insurance Policy. Borrower shall cause to be delivered to Agent a paid Title Insurance Policy or report in all respects satisfactory to Agent and its counsel, including a dated endorsement to the Title Insurance Policy in the form attached hereto as SCHEDULE XXI, dated the date of such requested Advance and showing the Building Loan Mortgage as a prior and paramount lien on the Property, subject only to (i) the Permitted Encumbrances and the lien of any other Building Loan Documents, (ii) the lien of the Supplemental Loan Mortgage, which shall be shown on Schedule B-II of the Title Insurance Policy as being subordinate to the Building Loan Mortgage, (iii) the lien of the Project Loan Mortgage, which shall be shown on Schedule B-II of the Title Insurance Policy as being subordinate to the Building Loan Mortgage and (iii) any other liens or encumbrances consented to in writing by Agent, along with co-insurance or reinsurance in such forms and amounts as may be required by Agent. The reinsurance agreements shall provide for direct access with the other title insurance companies satisfactory to Agent.

(g) Other Insurance. Policies of all insurance (or certificates thereof) required by Section 5.1 of this Agreement or any other Building Loan Document.

(h) Evidence of Sufficiency of Funds. Evidence satisfactory to Agent that the proceeds of the Loan plus the Required Equity will be sufficient to cover all Building Loan Costs and all Project Loan Costs reasonably anticipated to be incurred, to satisfy the obligations of Borrower to Agent and under this Agreement.

(i) Intentionally Omitted.

(j) Environmental Report. Borrower shall cause to be delivered to Agent an environmental assessment report or reports of one or more qualified environmental engineering or similar inspection firms approved by Agent in form, scope and substance satisfactory to Agent, which report or reports shall indicate a condition of the Property in all respects satisfactory to Agent in its sole discretion and upon which report or reports Lenders are expressly entitled to rely.

(k) Site Plan and Survey. Borrower shall deliver to Agent a site plan depicting the placement of the Improvements verifying that all of the Improvements will be within the lot lines of the Property and in compliance with all set-back requirements and a Survey prepared in accordance with Agent's survey requirements, certified by a land surveyor registered as such in the State of New York, which Survey shall be in form and substance satisfactory to Agent.

(l) Payment and Performance Bonds. Borrower shall deliver to Agent the Payment and Performance Bonds.

(m) Government Approvals. Borrower shall deliver to Agent evidence, reasonably satisfactory to Agent and the Construction Consultant, that all Government Approvals that are then necessary for the construction of the Improvements as contemplated by the Plans

and Specifications, have been obtained, including, without limitation, a full and complete building permit.

(n) Mezzanine Loan. Borrower shall deliver to Agent fully executed copies of all Mezzanine Loan Documents and Mezzanine Lender shall have executed and delivered the Intercreditor and Subordination Agreement substantially in the form of SCHEDULE XXVII.

(o) Affiliated Contracts. Borrower shall deliver to Agent copies of all executed Affiliate Contracts, each certified by Borrower.

(p) Required Leases. Borrower shall deliver to Agent a fully executed copy of each of the Required Leases, and an estoppel certificate from each Required Tenant in form and substance reasonably satisfactory to Agent and each Required Tenant shall have entered into a Subordination Non-Disturbance and Attornment Agreement with Agent for the benefit of Lenders each in form and substance reasonably satisfactory to Agent.

(q) Other Leases. Borrower shall deliver to Agent copies of all other Leases relating to the Property each certified by Borrower.

(r) Organizational Documents. Borrower shall deliver to Agent certified copies of Borrower's and Guarantor's Organizational Documents.

(s) ZLDA. Borrower shall have entered into the ZLDA.

(t) Legal Opinions. Agent shall have received opinions in form and substance satisfactory to Agent and Agent's counsel from counsel satisfactory to Agent as to such matters (including, without limitation, land use and zoning matters and nonconsolidation matters) as Agent shall reasonably request in form, substance and scope satisfactory to Agent.

(u) Judgment and Lien Searches. Agent shall have received a certification from the Title Company or other service satisfactory to Agent and Agent's counsel or from counsel satisfactory to Agent (which shall be updated from time to time at Borrower's expense upon request by Agent in connection with future Advances) that a search of the public records disclosed no judgment or tax liens affecting Borrower, Commercial Holding, Residential Holding, Alexander's or the Property, conditional sales contracts, chattel mortgages, leases of personalty, financing statements or title retention agreements which affect the Property.

(v) Notices. All notices required by any Governmental Authority or by any applicable Legal Requirement to be filed prior to commencement of construction of the Improvements shall have been filed.

(w) Appraisal. Agent shall have received from Cushman & Wakefield, Inc., a FIRREA appraisal of the Property, commissioned by Agent at Borrower's cost and expense, that indicates a value for the Property at stabilization, assuming the Residential Units are rented, of not less than \$653,333,333 and that is otherwise satisfactory to Agent in its reasonable discretion. Agent acknowledges that it has received such appraisal and that the same is satisfactory to Agent.

(x) 421-a Negotiable Certificates. Residential Owner shall have delivered to Agent the originals of any 421-a Negotiable Certificates transferred to Residential Owner, together with an assignment of each such Certificate executed in blank and undated in form satisfactory to Agent.

(y) HPD Declaratory Ruling. A copy of a Declaratory Ruling issued by HPD regarding the Property's eligibility for 421-a Tax Benefits, certified to by Borrower.

(z) Certificates of Eligibility for Zoning Bonus. Residential Owner shall have delivered to Agent the originals of each Certificate of Eligibility for Zoning Bonus (other than the Certificate of Eligibility for Zoning Bonus for the Additional Development Rights), together with an assignment of each such Certificate executed in blank and undated in form satisfactory to Agent.

(aa) Off-Site Agreement. Borrower shall have delivered to Agent a copy of the Off-Site Agreement, certified by Borrower as true and complete, and evidence reasonably satisfactory to Agent that the same is in full force and effect.

(bb) Up-Front Fee and Administrative Fee. Borrower shall pay the Up-Front Fee and the first monthly payment of the Administrative Fee to Agent in accordance with the Loan Fee Letter.

(cc) Performance; No Default. Borrower shall have performed and complied with all terms and conditions herein required to be performed or complied with by it at or prior to the date of the Initial Advance, and on the date of the initial Advance, there shall exist no material Default and no Event of Default.

(dd) Representations and Warranties. The representations and warranties made by Borrower and Guarantor in the Loan Documents shall have been true and correct in all respects on the date on which made and shall be true and correct in all respects on the date of the Initial Advance.

(ee) Other Documents. Borrower shall have delivered such other documents and certificates as Agent or its counsel may reasonably require.

(ff) Proceedings and Documents. All proceedings in connection with the transactions contemplated by this Agreement and the other Loan Documents shall be satisfactory to Agent and Agent's counsel in form and substance, and Agent shall have received all information and such counterpart originals or certified copies of such documents and such other certificates, opinions or documents as Agent and Agent's counsel may reasonably require.

2.9.2 CONDITIONS OF SUBSEQUENT ADVANCES. The obligation of each Lender to make any Advance after the Initial Advance shall be subject to the following conditions precedent:

(a) Prior Conditions Satisfied and Required Equity Contributed. All conditions precedent to the Initial Advance set forth in Section 2.9.1, shall continue to be satisfied as of the date of such subsequent Advance (it being understood that if the conditions precedent to the

Initial Advance are then satisfied in the same manner that such conditions precedent were satisfied initially, then such conditions precedent to the Initial Advance shall remain satisfied for purposes of this Section 2.9.2(a)) and Borrower shall furnish Agent with evidence in form and content reasonably satisfactory to Agent that Borrower has contributed the Required Equity.

(b) Anticipated Cost Report. Borrower shall submit to Agent an Anticipated Cost Report in the form set forth in SCHEDULE X provided by the Construction Manager, which indicates the costs anticipated to complete the construction of the Improvements, after giving effect to costs incurred during the previous month and projected costs.

(c) Satisfactory Title; Survey Update. The Building Loan Mortgage shall constitute a valid first lien on the Property for the full amount of the Building Loan advanced to and including the date of the Advance, free and clear of all liens except for Permitted Encumbrances. Agent shall have been furnished with a title continuation or an endorsement to the Title Insurance Policy issued to Agent and Lenders in connection with the Initial Advance of the Loan, which continuation or endorsement shall state that since the last disbursement of the Loan there have been no changes in the state of title to the Project (other than Permitted Encumbrances) and that there are no additional survey exceptions not previously approved by Agent. Borrower shall also cause to be delivered to Agent a boundary line Survey (if not previously delivered in connection with the Initial Advance) and inspection report of the Property dated within thirty (30) days after the foundations to the Improvements are set and prior to the date of the first advance of the Building Loan proceeds after the foundations are set, prepared in accordance with Agent's survey requirements, certified by a land surveyor registered as such in the State of in which the Property is located, which Survey shall be in form and substance reasonably satisfactory to Agent.

(d) No Other Security Interests. Except as otherwise permitted herein, all materials and fixtures incorporated in the construction of the Improvements shall have been purchased so that their absolute ownership shall have vested in Borrower immediately upon delivery to the Land and Borrower shall have produced and furnished, if required by Agent, the contracts, bills of sale or other agreements under which title to such materials and fixtures is claimed.

(e) Performance; No Default. Borrower shall have performed and complied with all terms and conditions herein required to be performed or complied with by it in all material respects at or prior to the date of such Advance, and on the date of such Advance there shall exist no material Default and no Event of Default.

(f) Special Capped Loan Amount. No Advances shall be made if and to the extent that any requested Advance of the Building Loan when added to the sum of all prior Advances of the Building Loan, the Supplemental Loan and the Project Loan exceed the Special Capped Loan Amount until the Existing Policy shall have been replaced in accordance with Section 5.1.3(b).

(g) Representations and Warranties. The representations and warranties made by Borrower and Guarantor in the Loan Documents or otherwise made by or on behalf of Borrower or Guarantor in connection therewith after the date thereof shall have been true and correct in all

material respects on the date on which made and shall also be true and correct in all material respects on the date of such Advance.

(h) No Damage. The Improvements shall not have been injured or damaged by fire, explosion, accident, flood or other casualty, unless Agent shall have received insurance proceeds or Borrower is otherwise entitled to the applicable Advance of the Building Loan (including, without limitation, Borrower's obligation to keep the Loan in balance under Section 2.1.11 and the corresponding provisions of the Cash Collateral Agreement regarding disbursements of Cash Collateral) to effect the satisfactory restoration of the Improvements and to permit the construction of the Improvements to the stage required under the Bloomberg Lease on or prior to the relevant milestone date for such required stage of completion under the Bloomberg Lease and in any event to permit the Completion of the Base Building Work prior to the Initial Maturity Date.

(i) Trade Contracts. No Advance shall be made by Lenders with regard to work done by or on behalf of any Trade Contractor unless Borrower shall have delivered to Agent originals of the following documents as to such Trade Contractor, each in form and substance reasonably satisfactory to Agent:

(i) a fully executed contract reasonably acceptable to Agent;

(ii) if such Trade Contractor is a Major Trade Contractor, Payment and Performance Bonds with dual obligee riders naming Agent (to the extent required under the definition of "Payment and Performance Bonds"); and

(iii) if such Trade Contractor is a Major Trade Contractor, a Performance Letter substantially in the form attached hereto as SCHEDULE XV.

(j) Final Plans and Specifications. Agent shall have received and approved the final Plans and Specifications and other certificates in accordance with Section 4.2.13.

(k) Intentionally Omitted.

(l) Government Approvals. Borrower shall have delivered to Agent evidence reasonably satisfactory to Agent and the Construction Consultant that all Government Approvals that are then necessary for the construction of the Improvements as contemplated by the Plans and Specifications have been obtained, including without limitation, a final and full building permit.

(m) Construction Consultant Approval. Agent shall have received advice from the Construction Consultant, reasonably satisfactory to Agent, as to Construction Consultant's reasonable determination based on on-site inspections of the Improvements and the data submitted to and reviewed by it as part of Borrower's Requisition of the value of the labor and materials in place, that the construction of the Improvements is proceeding reasonably satisfactorily and that the work on account of which the Advance is sought has been completed in a good and workmanlike manner to such Consultant's reasonable satisfaction and substantially in accordance with the Plans and Specifications and according to schedule so as to (i) avoid Bloomberg having a right to terminate the Bloomberg Lease for failing to meet the relevant

milestone dates thereunder, and (ii) permit Borrower to achieve Completion of the Base Building Work by the Initial Maturity Date.

(n) Other Documents. Agent shall have received such other documents and certificates as Agent or its counsel may reasonably require or as may be required to be delivered under any Guaranty.

(o) Series Notes, Mortgages and Assignments of Leases. There shall have been executed and delivered (i) an amended, restated and consolidated building loan note payable to Agent (for the ratable benefit of Lenders) evidencing additional debt of \$144,500,000.00 or so much thereof as may be advanced pursuant to the terms hereof, that by its terms consolidates the same with the \$55,500,000.00 Amended, Restated and Consolidated Building Loan Mortgage Note delivered at closing, (ii) a second series building loan mortgage in the principal amount of \$144,500,000.00 that by its terms consolidates with the already recorded \$55,500,000.00 Building Loan Mortgage (Series No. 1) delivered at closing (each such mortgage, sometimes referred to herein as a "SERIES MORTGAGE") so that there shall be a consolidated first lien on the Property in an amount equal to the Building Loan Amount, and such second series mortgage shall be duly recorded and all appropriate mortgage recording taxes and recording charges in connection therewith shall have been paid. There shall also have been executed, delivered and recorded an Amended and Restated Building Loan Assignment of Leases or an amendment to the Building Loan Assignment of Leases delivered at closing increasing the amount secured thereby to be equal to the Building Loan Amount.

(p) Inclusionary Housing Cap. Notwithstanding anything to the contrary contained in this Agreement or in any other Loan Document, if Certificates of Eligibility for Zoning Bonus for not less than the total Bonus Area shall not have all been issued and the originals of the same delivered to Agent together with an assignment of each such Certificate executed in blank and undated in form reasonably satisfactory to Agent by such time as Borrower begins to pour the concrete for the Residential Component, Agent and Lenders shall have no obligation to advance any undisbursed proceeds of the Loan until such time as such Certificates of Eligibility for Zoning Bonus for not less than the total Bonus Area shall have all been issued and the originals of the same delivered to Agent together with an assignment of each such Certificate executed in blank and undated in form reasonably satisfactory to Agent.

(q) Guaranteed Maximum Price Contract. The Guaranteed Maximum Price Contract to be attached to the Construction Management Agreement, in form and substance reasonably satisfactory to Agent, shall have been duly executed and delivered by the parties thereto and Borrower shall cause the Payment and Performance Bonds with dual obligee riders naming Agent with respect to the obligations of Construction Manager under the Construction Management Agreement (including the Guaranteed Maximum Price Contract that is to be attached thereto).

2.9.3 CONDITIONS OF FINAL CONSTRUCTION ADVANCE. In addition to the conditions set forth in Section 2.9.2 above, Agent's and Lenders' obligation to make the final Advance of Building Loan proceeds on account of construction of the Improvements pursuant to this Agreement (other than for the items described in Section 2.9.4) shall be subject to the following:

(a) Completion of Improvements. Agent shall have received evidence reasonably satisfactory to Agent of the Completion of the Base Building Work and to the extent not previously delivered shall have delivered to Agent Plans and Specifications for the Basic Residential Buildout Work.

(b) Approval by Construction Consultant. (i) Agent shall have received Construction Consultant's advice, reasonably satisfactory to Agent, as to Construction Consultant's reasonable determination based on on-site inspections of the Improvements and the data submitted to and reviewed by it as part of Borrower's Requisition of the value of the labor and materials in place, and that the work on account of which the Advance is sought has been completed in a good and workmanlike manner to such Consultant's reasonable satisfaction substantially in accordance with the Plans and Specifications; and

(ii) Agent shall have received notification from the Construction Consultant that the Completion of the Base Building Work has occurred in substantial accordance with the Plans and Specifications (as the same may be modified in accordance with Section 4.2.13), all Legal Requirements, all Permitted Encumbrances and this Agreement, and that all utilities necessary to service the Property (other than connections that Tenants are required to make) have been connected and are in operation.

(c) Certificates. Borrower shall furnish to Agent certificates of the Construction Manager substantially in the form attached hereto as SCHEDULE XIV and of Borrower's Architect substantially in the form attached hereto as SCHEDULE XVI.

(d) Final Unconditional Lien Waivers and Release/Payment Receipts. Borrower shall furnish to Agent Unconditional Final Waivers of Lien and Release and Payment Receipts in the form set forth in SCHEDULE XII from the Construction Manager and all Trade Contractors, evidencing that they have been paid in full for all work performed and/or materials supplied.

(e) Final Survey. Borrower shall furnish to Agent a final Survey reasonably acceptable to Agent showing the as-built location of the completed Improvements (all of which shall be within lot lines of the Land and in compliance with all set-back requirements) and all easements appurtenant thereto..

(f) "As-Built" Plans and Specifications. Agent has received a full and complete set of "as built" Plans and Specifications for the Base Building Work certified to by Borrower's Architect.

(g) Other Documents. Agent shall have received such documents, letters, affidavits, reports and assurances, as Agent, Agent's counsel and the Construction Consultant may reasonably require, including, without limitation, completed AIA Form G704 (Certificate of Substantial Completion) and completed AIA Form G707 (Consent of Surety to Final Payments).

2.9.4 SPECIAL CONDITIONS FOR CERTAIN ADVANCES. In addition to the conditions set forth in Section 2.9.2 above, Agent's and Lender's obligation to make Advances of Building Loan proceeds on account of Basic Residential Buildout Work, tenant improvements, tenant allowances and leasing commissions, to the extent that funds are allocated for the same in the Building Loan Budget and remain available shall be conditioned as follows:

(a) Basic Residential Buildout Work. Any Advances to be made for Basic Residential Buildout Work shall be conditioned upon Agent's having received Plans and Specifications for such work, which shall be subject to the reasonable approval of Agent and its Construction Consultant, and Agent's reasonable determination that there are sufficient undisbursed funds allocated for the same in the Loan Budget to pay for the same after reserving for any Basic Residential Buildout Work not yet completed at the Property.

(b) Tenant Improvements and Tenant Allowances. Any Advances to be made for tenant improvements or tenant allowances shall be conditioned upon (i) Agent's having received the Lease pursuant to which such improvements are being made or such tenant allowances are being paid, (ii) to the extent required under Section 4.1.9, Agent's having approved (or being deemed to have approved) such Lease, and (iii) such Lease having been fully executed and unconditionally delivered.

(c) Leasing Commissions. Any Advance to be made for leasing commissions shall be conditioned upon (i) Agent's having received the Lease in respect of which such commissions are being paid, (ii) to the extent required under Section 4.1.9, Agent's having approved (or being deemed to have approved) such Lease, (iii) such Lease having been fully executed and unconditionally delivered and (iv) that no more than one-half of the full commissions payable under such Lease shall be advanced for prior to the Tenant under such Lease having accepted delivery of possession under such Lease and commenced occupancy and the payment of rent under such Lease.

2.9.5 NO RELIANCE. All conditions and requirements of this Agreement are for the sole benefit of Agent and Lenders and no other person or party (including, without limitation, the Construction Consultant, the Construction Manager, and any Trade Contractors) shall have the right to rely on the satisfaction of such conditions and requirements by Borrower. Agent shall have the right, in its sole and absolute discretion, to waive any such condition or requirement.

SECTION 2.10 BORROWING PROCEDURES.

2.10.1 DRAW REQUESTS. Borrower shall submit to Agent and the Construction Consultant a Draw Request (substantially in the forms attached hereto as SCHEDULES II through IX) ("BORROWER'S REQUISITION") not less than eight (8) Business Days prior to the date upon which a disbursement of the Loan is requested (the "BORROWING DATE") and no more frequently than once in each calendar month (except as otherwise expressly provided in Section 2.10.2). As part of each Draw Request, Borrower shall submit, as notice of its intention to borrow funds, a Borrower's Requisition Letter in the form set forth in SCHEDULE II, which shall be executed by one of the Authorized Representatives. Each Borrower's Requisition Letter shall be accompanied by: (i) a Borrower's Requisition Spreadsheet in the form set forth in SCHEDULE IV (it being understood, however, that once the guaranteed maximum price shall have been approved by Lender as herein provided, Borrower shall be required to show on such Spreadsheet only a single Budget Line for Hard Costs); (ii) a completed Application and Certificate for Payment (AIA Document G702) attached hereto as SCHEDULE VI that is executed by the Construction Manager and Architect; (iii) a Borrowing Certificate in the form set forth in SCHEDULE VIII; (iv) Payment Receipts in the form set forth in SCHEDULE IX from

the Construction Manager and Trade Contractors, evidencing that they have been paid in full for all work performed and/or materials supplied to the date of the preceding advance, except for Retainage provided for in this Agreement; (v) at the request of Agent, current requisitions for payment from Trade Contractors and/or any of their subcontractors allocable to the Improvements; (vi) such other information and documents as may be reasonably requested or required by Agent or the Construction Consultant with respect to the Hard Costs covered by such Draw Request; and (vii) invoices, statements or such other information and documentation as Agent shall reasonably request or require with respect to any Soft Costs covered by such Draw Request. All such requests and requisitions for payment shall have been approved by Borrower and, with respect to Hard Costs, recommended for payment by the Construction Consultant.

2.10.2 ONE ADVANCE PER MONTH. Agent and Lenders shall have no obligation to make Advances of the Loan more often than once in each calendar month except that Agent, in its sole discretion, shall have the right but not the obligation, to make and to require the Lenders to make additional advances per month for interest, fees and expenses due under the Loan Documents. Notwithstanding the foregoing, Agent and Lenders agree to make more frequent Advances to pay for the following Hard Costs: steel and any other Hard Costs for which Borrower reasonably requests more than one advance per month, provided that for each additional Advance during any calendar month, Borrower shall pay to Agent an additional administration fee of \$2,000 (in addition to the Administrative Fee payable to Agent for such month pursuant to the Loan Fee Letter), and provided further that in no event shall Agent and Lenders have any obligation to make advances of the Loan more than twice in each calendar month.

2.10.3 ADVANCES TO PAY INTEREST, FEES AND EXPENSES. Borrower hereby requests that Agent and Lenders make an Advance on each (i) Payment Date to pay interest due at such time; (ii) Fee Payment Date to pay fees under the Loan Documents that are then due to Agent, Lenders and/or Construction Consultant, as applicable; and (iii) Borrowing Date to pay expenses and other reimbursables under the Loan Documents that are then due and payable hereunder in accordance with the terms hereof. Notwithstanding anything to the contrary contained in this Agreement, (A) all positive Net Cash Flow (excluding Net Sales Proceeds) from the Property, to the extent that Agent determines that it is sufficient and available to pay for such interest and fees, shall be used to for the same before proceeds of the Building Loan are disbursed for such purposes, (B) the amounts otherwise to be funded by Lenders pursuant to this Section 2.10.3 for interest on the Building Loan shall be reduced by any payments received under the Interest Rate Protection Agreement and (C) Lenders shall have no obligation to make any such disbursement for interest or fees unless the conditions set forth in Section 2.9.2(c) are satisfied and no material Default and no Event of Default shall have occurred and be continuing. Neither the provisions of this Section 2.10.3 nor the provisions of Section 2.8 are intended to limit or derogate from Borrower's and Guarantor's absolute and unconditional obligation to pay such interest and fees regardless of whether Loan proceeds are available or advanced therefor to the extent (if any) provided in the applicable Guaranties.

2.10.4 PROCEDURE OF ADVANCES. (a) Each Draw Request shall be submitted to Agent and the Construction Consultant at least eight (8) Business Days prior to the Borrowing Date for the requested Advance, and no more frequently than monthly except as otherwise provided in Section 2.10.2. Not less than three (3) London Business Days prior to the Borrowing

Date, Agent shall deliver written notice to each Lender at the address specified by each Lender from time to time which notice shall include the Borrowing Date and such Lender's Ratable Share of such Advance. Agent shall include with such notice a copy of the Draw Request, to the extent not previously delivered and to the extent in Agent's possession, and Agent shall promptly deliver to each Lender all items in respect of such Advance received by Agent after the date of such notice. Lenders shall make the requested Advance on the Borrowing Date so long as all conditions to such Advance are satisfied or waived. Unless otherwise notified by Agent, each Lender may assume that all conditions to such Advance are satisfied or waived on the Borrowing Date.

(b) Not later than 11:00 a.m. New York City time, on the Borrowing Date, each Lender shall make available for the account of Agent at its address referred to in Section 10.6, in same day funds, such Lender's ratable portion of such Advance. After Agent's receipt of such funds and upon fulfillment of the applicable conditions in Article II, Agent will make such funds available to Borrower in accordance with the terms of this Section 2.10.

(c) Unless Agent shall have received notice from a Lender prior to the Borrowing Date that such Lender will not make available to Agent such Lender's ratable portion of such Advance, Agent may assume that such Lender has made such portion available to Agent on the Borrowing Date in accordance with Section 2.10.4(b), and Agent may, in reliance upon such assumption, make available to Borrower on the Borrowing Date a corresponding amount. If and to the extent that any of Lenders (the "DEFAULTING LENDER") shall not have so made such ratable portion available to Agent (individually, a "DEFICIENCY," and collectively, "DEFICIENCIES"), and Agent has advanced such amount to Borrower, such Defaulting Lender agrees to repay to Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to Borrower until the date such amount is repaid to Agent at the Default Rate. If such Defaulting Lender shall repay to Agent such corresponding amount, such amount (excluding interest) so repaid shall constitute such Defaulting Lender's ratable portion of the Advance. Each of the Lenders agrees that Borrower or any of the other Lenders shall have the right to proceed directly against any Defaulting Lender in respect of any right or claim arising out of the default of such Defaulting Lender hereunder. If there shall be a Deficiency in respect of any Lender, the other Lenders, or any of them, shall have the right, but not the obligation, to advance all or any part of the ratable portion of an Advance that should have been made by the Defaulting Lender, and the Defaulting Lender agrees to repay upon demand to each of the Lenders who has advanced a portion of the Deficiency the amount advanced on behalf of the Defaulting Lender, together with interest thereon at the Default Rate. If more than one Lender elects to advance a portion of the Deficiency such Lenders' advances shall be made based on the relative Ratable Shares of the Loan of each advancing Lender or as otherwise agreed to by such Lenders. In the event the Defaulting Lender fails to advance or repay the Deficiency (with interest at the Default Rate, if applicable) on or prior to the date of the next succeeding Advance, the entire interest of said Defaulting Lender in the Loan shall be subordinate to the interests of the other Lenders and all payments otherwise payable to the Defaulting Lender shall be used to advance or repay the Deficiency, as applicable, until such time such Defaulting Lender advances or repays all Deficiencies (including interest at the Default Rate, if applicable) and Borrower or Agent shall have the right to require such Defaulting Lender to assign its interest in the Loan to an Eligible Institution or other assignee satisfactory to Agent in its sole discretion (subject, nevertheless, to Section 10.24).

(d) The failure of any Lender to pay any Deficiency shall not relieve any other Lender of its obligation, if any, hereunder to make its ratable portion of the Advance on the Borrowing Date, but no Lender shall be responsible for the failure of any Lender to make its ratable portion of the Advance to be made by such other Lender on the Borrowing Date; provided, however, that Lenders shall be obligated to fund the balance or the then current Advance (i.e., excluding the Deficiency) in the manner required hereunder. In the event the following occurs, Lenders, in the sole discretion of Agent, shall have the right to make no further Advances under the Loan: any and all Deficiencies in respect of prior Advances made more than thirty (30) days prior to the current Advance have not been funded by (A) the Defaulting Lender(s) responsible therefor or (B) one or more of the other Lenders or (C) Borrower with its own equity. In such event, the Building Loan Amount shall be permanently reduced by any and all Deficiencies unless and until funded as provided in clauses (A) or (B) above or a substitute lender, reasonably acceptable to Lenders other than the Defaulting Lender(s), pays such Deficiency(ies). If pursuant to this Section, Lenders are not obligated to make an Advance, Agent may (subject to subsection (e) below) nonetheless make a determination that Lenders shall make such Advances and all Lenders shall be bound by such determination.

(e) Notwithstanding the foregoing, any decision by Agent to make Advances hereunder when Borrower is not entitled to receive such an Advance because an Event of Default has occurred and is continuing and any decision by Agent to refuse to make any Advance hereunder because an Event of Default has occurred and is continuing shall be a Major Decision requiring the consent of all Lenders.

(f) If included in a Borrower's Requisition, Agent will make an Advance directly into the imprest account of the Construction Manager in accordance with the provisions of the Construction Management Agreement provided, at no time, shall the outstanding unapplied balance in such imprest account exceed \$4,000,000.

2.10.5 FUNDS ADVANCED. Each Advance shall be made by Agent by wire transfer to Borrower's Designated Account or as provided in Section 2.10.6. All proceeds of all Advances shall be used by Borrower only for the purposes for which such Advances were made. Borrower shall not commingle such funds with other funds of Borrower.

2.10.6 DIRECT ADVANCES TO THIRD PARTIES. At Agent's option, Agent may direct Lenders to make any or all Advances directly or through the Title Company to (i) Construction Manager or any Trade Contractor for construction expenses which shall theretofore have been approved by Agent and for which Borrower shall have failed to make payment, provided that Agent shall not so direct Lenders to make such Advances directly to any such Persons without Borrower's prior consent unless an Event of Default shall have occurred and be continuing, (ii) Borrower's Architect to pay its fees to the extent funds are allocated thereto in the Building Loan Budget (subject to reallocation as provided herein), (iii) the Construction Consultant to pay its fees in accordance with the terms hereof, (iv) Agent's counsel to pay its fees in accordance with the terms hereof, provided that Borrower shall theretofore have received notice from Agent or such Lender that such fees have been incurred and Borrower shall have failed to reimburse such Lender for such fees beyond any grace periods provided for said reimbursement under the Building Loan Note, this Agreement or any of the other Building Loan Documents, (v) each Lender to pay (x) any installment of interest due under the Building Loan Note, (y) any expenses

incurred by such Lender which are reimbursable by Borrower under the Building Loan Documents (including, without limiting the generality of the foregoing, reasonable attorneys' fees and expenses and other fees and expenses incurred by such Lender in accordance with the terms hereof), provided that Borrower shall theretofore have received notice from Agent or such Lender that such expenses have been incurred and Borrower shall have failed to reimburse such Lender for such expenses beyond any grace periods provided for said reimbursement under the Building Loan Note, this Agreement or any of the other Building Loan Documents, or (z) following an Event of Default, any other sums due to any Lender under the Building Loan Note, this Agreement or any of the other Building Loan Documents, all to the extent that the same are not paid by the respective due dates thereof, and in each case subject to the approval of Agent, (vi) any other Person to whom Agent in good faith determines payment is due and for which Borrower shall have failed to make payment, provided that Agent shall not so direct Lenders to make such Advances directly to any such Persons without Borrower's prior consent unless an Event of Default shall have occurred and be continuing; and any portion of the Building Loan so disbursed by Lenders shall be deemed disbursed as of the date on which the Person to whom payment is made receives the same. Agent shall give each Lender not less than three (3) London Business Days' Notice of the amount of interest due each Lender on each interest due date, which notice shall include the Interest Period(s), and the portion of the Building Loan which relates thereto and the Applicable Interest Rate for each Interest Period; and (vii) to Vornado pursuant to the Guaranty of Completion. The execution of this Agreement by Borrower shall, and hereby does, constitute an irrevocable authorization so to advance the proceeds of the Building Loan directly or through the Title Company to such Persons in accordance with this Section 2.10.6 as amounts become due and payable to them hereunder and any portion of the Building Loan so disbursed by Lenders shall be deemed disbursed as of the date on which the Person to whom payment is made receives the same. No further authorization from Borrower shall be necessary to warrant such direct Advances to such relevant Person, and all such Advances shall satisfy pro tanto the obligations of Lenders hereunder and shall be secured by the Building Loan Mortgage and the other Building Loan Documents as fully as if made directly to Borrower.

2.10.7 ADVANCES DURING EXTENSION PERIODS. Notwithstanding anything contained herein to the contrary, Lenders shall have no obligation to make any Advance during the Extension Periods, except for (a) interest on the Building Loan, (b) tenant improvements and leasing commissions in respect of approved Leases, (c) punch list items in respect of the Base Building Work, if funds allocated in the Building Loan Budget remain available to be advanced under this Agreement for such purposes and subject to all the conditions to Advances therefor, including, without limitation, Section 2.1.11 and (d) Basic Residential Buildout Work, if funds allocated in the Building Loan Budget remain available to be advanced under this Agreement for such purposes and subject to all the conditions to Advances therefor, including, without limitation, Section 2.1.11. Lenders will also continue to make Advances available to Borrower during the First Extension Period to pay for costs reflected on the Building Loan Budget incurred by Borrower prior to the Initial Maturity Date in connection with the Base Building Work provided that the foregoing is not intended to limit Borrower's obligation to achieve Completion of the Base Building Work by the Initial Maturity Date.

2.10.8 ADVANCES DO NOT CONSTITUTE A WAIVER. No Advance shall constitute a waiver of any of the conditions of Lenders' obligation to make further Advances nor, in the

event Borrower is unable to satisfy any such condition, shall any Advance have the effect of precluding Agent from thereafter declaring such inability to be an Event of Default hereunder.

2.10.9 TRUST FUND PROVISIONS. All proceeds advanced hereunder shall be subject to the trust fund provisions of Section 13 of the Lien Law. The affidavit attached hereto as EXHIBIT F is made pursuant to and in compliance with Section 22 of the Lien Law, and, if so indicated in said affidavit, Building Loan proceeds will be used, in part, for reimbursement for payments made by Borrower prior to the Initial Advance hereunder but subsequent to the commencement of the construction and equipping of the Improvements for items constituting Costs of the Improvement.

2.10.10 INTENTIONALLY OMITTED.

2.10.11 ADVANCES AND DISBURSEMENTS UNDER COMPLETION GUARANTY. Notwithstanding anything to the contrary contained in this Agreement or in any other Loan Document, Borrower hereby irrevocably and unconditionally authorizes Agent and Lenders to make any disbursements of proceeds of the Building Loan in accordance with the Guaranty of Completion. Borrower agrees that (i) any such disbursement of Building Loan Proceeds to Vornado shall be secured by the Building Loan Mortgage and shall constitute part of the Debt, and (ii) Vornado shall have the right to exercise all of the rights of Borrower hereunder (including, without limitation, the right to make requests for Advances, to satisfy conditions precedent thereto, to make change orders, and to re-allocate Line Items on the Budget in accordance with the terms of this Agreement and the Guaranty of Completion).

III. REPRESENTATIONS AND WARRANTIES

SECTION 3.1 BORROWER REPRESENTATIONS.

Borrower represents and warrants that:

3.1.1 ORGANIZATION. Borrower is duly organized, validly existing and in good standing with full power and authority to own its assets and conduct its business and is duly qualified in all jurisdictions in which the ownership or lease of its property or the conduct of its business requires such qualification. Borrower has taken all necessary action to authorize the execution, delivery and performance of this Agreement and the other Loan Documents by it, and has the power and authority to execute, deliver and perform under this Agreement, the other Loan Documents and all the transactions contemplated hereby.

3.1.2 PROCEEDINGS. This Agreement and the other Loan Documents have been duly authorized, executed and delivered by Borrower and constitute a legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

3.1.3 NO CONFLICTS. The execution and delivery of this Agreement and the other Loan Documents by Borrower and the performance of its obligations hereunder and thereunder will not conflict with any provision of any law or regulation to which Borrower is subject, or conflict with, result in a breach of, or constitute a default under, any of the terms, conditions or provisions of any of Borrower's organizational documents or any agreement or instrument to which Borrower is a party or by which it is bound, or any order or decree applicable to Borrower, or result in the creation or imposition of any lien on any of Borrower's assets or property (other than pursuant to the Loan Documents).

3.1.4 LITIGATION. There is no action, suit, proceeding or investigation pending or, to Borrower's knowledge, threatened against Borrower and/or Guarantor in any court or by or before any other Governmental Authority, or labor controversy affecting Borrower, Guarantor or any of their respective properties, businesses, assets or revenues, which, individually or in the aggregate, would reasonably be expected to (i) materially and adversely affect the ability of Borrower to carry out the transactions contemplated by this Agreement, (ii) materially and adversely affect the value of the Property, (iii) impair in any material respect the use and operation of the Property or (iv) impair in any material respect Borrower's and/or Guarantor's ability to pay its obligations in a timely manner.

3.1.5 GOVERNMENTAL ORDERS. Borrower is not in default with respect to any order or decree of any court or any order, regulation or demand of any Governmental Authority, which default would be reasonably expected to have consequences that would materially and adversely affect the condition (financial or other) or operations of Borrower or its properties or would be reasonably expected to have consequences that would materially and adversely affect its performance hereunder.

3.1.6 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 Borrower of, or compliance by Borrower with, this Agreement or the consummation of the transactions contemplated hereby, other than those which have been obtained by Borrower.

3.1.7 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, free and clear of all Liens whatsoever except the Permitted Encumbrances and except for any filed mechanics liens (if any) that are being bonded or otherwise paid or discharged of record within the period of time permitted therefor under the Building Loan Mortgage. The Building Loan Mortgage, when properly recorded in the appropriate records, together with the Building Loan Agreement when properly filed in the appropriate records and any Uniform Commercial Code financing statements required to be filed in connection therewith, will create (i) a valid, first priority, perfected lien on the Property, subject only to Permitted Encumbrances and (ii) perfected security interests in and to, and perfected collateral assignments of, all personalty (including the Leases) in which a security interest can be perfected by the filing of Uniform Commercial Code financing statements, and any Leases and the Cash Collateral, if any, all in accordance with the terms thereof, in each case subject only to any Permitted Encumbrances. There are no mechanics', materialman's or other similar liens or claims which have been filed for work, labor or materials affecting the Property which are or may be liens prior to, or equal or coordinate with, the lien of the Mortgage. None of the Permitted Encumbrances, individually or

in the aggregate, materially interfere with the benefits of the security intended to be provided by the Mortgage and this Agreement, materially and adversely affect the value of the Property, impair the use or operations of the Property or impair Borrower's ability to perform its obligations under the Building Loan Documents in a timely manner. Notwithstanding anything herein contained to the contrary, the warranty of title to the Property hereinabove set forth shall be for the benefit of Agent, the Lenders, and their successors and assigns and not the Title Company.

3.1.8 NO PLAN ASSETS. (a) Borrower is not an "employee benefit plan," as defined in Section 3(3) of ERISA, subject to Title I of ERISA, (b) none of the assets of Borrower constitutes "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101, (c) Borrower is not a "governmental plan" within the meaning of Section 3(32) of ERISA and (d) transactions by or with Borrower are not subject to state statutes regulating investment of, and fiduciary obligations with respect to, governmental plans.

3.1.9 COMPLIANCE.

Borrower and the Property and the use thereof comply in all material respects with all applicable Legal Requirements, including, without limitation, land use and building and zoning ordinances and codes. Borrower is not in default or violation of any order, writ, injunction, decree or demand of any Governmental Authority, the violation of which would be reasonably expected to materially adversely affect the condition (financial or otherwise) or business of Borrower. Borrower has not committed any act which may give any Governmental Authority the right to cause Borrower to forfeit the Property or any part thereof or any monies paid in performance of Borrower's obligations under any of the Loan Documents. Subject to Borrower's obtaining the necessary Certificates of Eligibility for Zoning Bonus for the Additional Development Rights, all necessary action required to be taken as of the date this representation is being made or deemed remade has been taken to permit construction of the Improvements according to the Plans and Specifications and full use of the Improvements for their intended purpose under applicable Legal Requirements, except, with respect to use of the Improvements, for the absence of a certificate of occupancy prior to the completion of the Improvements. Subject to the need for Borrower to obtain the necessary Certificates of Eligibility for Zoning Bonus for the Additional Development Rights, Borrower, has all necessary certificates, licenses, authorizations, registrations, permits and/or approvals that are now necessary for the construction of the Improvements or any part thereof in accordance with the Plans and Specifications or the commencement or continuance of construction thereon, as the case may be, including but not limited to, where appropriate, all required environmental permits, all of which as of the date of the signing hereof are in full force and effect and not, to the knowledge of Borrower, subject to any revocation, amendment, release, suspension, forfeiture or the like. Borrower has obtained all Governmental Approvals from, and has given all such notices to, and has taken all such other actions with respect to such Governmental Authority as may be required under applicable Legal Requirements for the construction of the Improvements that is presently being performed. Borrower has no knowledge of any violations or notices of violations of any Legal Requirements relating to Borrower, Guarantor and/or the Property that would have a material and adverse effect on (i) the ability of Borrower to perform its obligations under the Loan Documents, (ii) the Property or (iii) the ability of either Guarantor to perform its respective obligations under the applicable Guaranty.

3.1.10 FINANCIAL AND OTHER INFORMATION. All financial data, including, without limitation, the statements of cash flow and income and operating expense, if any, that have been delivered to Agent and/or Lenders in respect of the Property (i) are true, complete and correct in all material respects, (ii) accurately represent the financial condition of the Property as of the date of such reports, and (iii) 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 are known to Borrower and reasonably likely to have a materially adverse effect on the Property or the operation thereof, except as referred to or reflected in said financial statements. Since the date of the financial statements, there has been no material adverse change in the financial condition, operations or business of Borrower or the Property from that set forth in said financial statements. All documents furnished to Agent by or on behalf of Borrower, as part of or in support of the Loan application or pursuant to this Agreement or any of the other Loan Documents, are true, correct, complete in all material respects and accurately represent the matters to which they pertain as of the dates made and there have been no materially adverse changes with respect to such matters since the respective dates thereof.

3.1.11 CONDEMNATION. No Condemnation or other similar proceeding has been commenced or, to Borrower's best knowledge, is contemplated with respect to all or any portion of the Property or for the relocation of roadways providing access to the Property.

3.1.12 UTILITIES AND PUBLIC ACCESS. The Property has rights of access to public ways and is served or will be served by water, sewer, sanitary sewer and storm drain facilities adequate for the construction, development and operation of the Property for its intended uses. All roads and streets necessary for the construction and full utilization of the Improvements for their intended purpose have been completed and with respect to all roads and streets, the necessary rights of way therefor have either been acquired by the appropriate Governmental Authority or have been dedicated to public use and accepted by said Local Authority allowing for the construction, use and operation of, and access to the Improvements.

3.1.13 SEPARATE LOTS. The Property is comprised of one (1) or more parcels that constitute separate tax lots and do not constitute a portion of any other tax lot not a part of the Property.

3.1.14 ASSESSMENTS. There are no pending or proposed special or other assessments for public improvements or otherwise affecting the Property, nor are there any contemplated improvements to the Property that may result in such special or other assessments that would, individually or in the aggregate, would have a material and adverse effect on (i) the ability of Borrower to perform its obligations under the Loan Documents, (ii) the Property or (iii) the ability of either Guarantor to perform its respective obligations under the applicable Guaranty.

3.1.15 ENFORCEABILITY. The Building Loan Documents are not subject to any 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 Building Loan Documents, or the exercise of

any right thereunder, render the Building Loan Documents unenforceable, and Borrower has not asserted any right of rescission, set-off, counterclaim or defense with respect thereto.

3.1.16 ASSIGNMENT OF LEASES. The Assignment of Leases creates a valid assignment of, or a valid security interest in, certain rights under the related Leases, subject only to a license granted to Borrower to exercise certain rights and to perform certain obligations of the lessor under such Leases, including the right to operate the Property. No Person other than Agent (on behalf of Lenders) has any interest in or assignment of the Leases or any portion of the Rents due and payable or to become due and payable thereunder.

3.1.17 INSURANCE. Borrower has obtained and has delivered to Agent original or certified copies of all of the Policies (or Accord 27 certificates reasonably satisfactory to Agent evidencing the existence of the same), with all premiums prepaid thereunder, reflecting the insurance coverages, amounts and other requirements set forth in this Agreement. Any claim that Borrower has heretofore made under any of the Policies does not have a material and adverse effect on (i) the effectiveness of the Policies, (ii) the ability of Borrower to perform its obligations under the Loan Documents, (iii) the Property or (iv) the ability of either Guarantor to perform its respective obligations under the applicable Guaranty. No Person, including Borrower, has done, by act or omission, anything that would impair the coverage of any of the Policies.

3.1.18 LICENSES. All permits and approvals, including without limitation, building permits required by any Governmental Authority for the current construction of the Improvements in accordance with the Plans and Specifications and the use, occupancy and operation of the Property in the manner in which the Property is currently being used, occupied and operated have been obtained and are in full force and effect, except, with respect to use of the Improvements, for the absence of a certificate of occupancy prior to the completion of the Improvements and except for Certificate(s) of Eligibility for Zoning Bonus for the Additional Development Rights.

3.1.19 FLOOD ZONE. None of the Improvements on the Property are located in an area identified by the Federal Emergency Management Agency as a special flood hazard area.

3.1.20 PHYSICAL CONDITION. Neither the Property nor any portion thereof is now damaged or injured as result of any fire, explosion, accident, flood or other casualty, the result of which is to preclude Borrower from being entitled to (i) the applicable Advance under the terms of this Agreement or (ii) the disbursement of Net Proceeds in respect thereof. There are no proceedings pending, or, to the best of Borrower's knowledge, threatened, to acquire by power of condemnation or eminent domain, the Property, or any interest therein, or to enjoin or similarly prevent the construction or use of the Improvements. Borrower has not received notice from any insurance company or bonding company of any defects or inadequacies in the Property, or any part thereof, which would adversely affect the insurability of the same in accordance with the terms hereof or cause the imposition of extraordinary premiums or charges thereon that Borrower does not have the ability to pay or of any termination or threatened termination of any policy of insurance or bond that is not replaced by Borrower.

3.1.21 BOUNDARIES. All of the Improvements which are located on the Property 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 affecting the Property encroach upon any of the improvements, so as to affect the value or marketability of the Property except in each case those which are insured against by title insurance or otherwise constitute Permitted Encumbrances.

3.1.22 LEASES. With respect to any existing Leases that: (a) the rent roll most recently delivered to Agent pursuant to Section 4.1.6 is true, complete and correct and the Property is not subject to any Leases other than the Leases described in said rent roll, (b) the Leases identified in said rent roll are in full force and effect and there are no material defaults thereunder by either party, (c) the copies of the Leases delivered to Agent are true and complete, and there are no oral agreements with respect thereto, (d) no Rent (including security deposits) has been paid more than one (1) month in advance of its due date, (e) all work to be performed by Borrower under each Lease has been performed as required as of the date that this representation is being made (or deemed remade pursuant to Section 3.2), and (f) any payments, free rent, partial rent, rebate of rent or other payments, credits, allowances or abatements required to be given by Borrower to any Tenant as of the date that this representation is being made (or deemed remade pursuant to Section 3.2) has already been received by such Tenant.

3.1.23 FILING AND RECORDING TAXES. All transfer taxes, deed stamps, intangible taxes or other amounts in the nature of transfer taxes required to be paid under applicable Legal Requirements in connection with the transfer of the Property to Borrower have been paid. All mortgage, mortgage recording, stamp, intangible or other similar tax required to be paid under applicable Legal Requirements in connection with the execution, delivery, recordation, filing, registration, perfection or enforcement of any of the Building Loan Documents, including, without limitation, the Building Loan Mortgage, have been paid or are being paid simultaneously herewith. All taxes and governmental assessments due and owing in respect of the Property have been paid, or an escrow of funds in an amount sufficient to cover such payments has been established hereunder or are insured against by the Title Insurance Policy to be issued in connection with the Building Loan Mortgage.

3.1.24 SINGLE PURPOSE. Borrower hereby represents and warrants to, and covenants that as of the date hereof and until such time as the Total Debt shall be paid in full:

(a) Borrower will not engage in any business or activity other than as expressly set forth under the heading "Purpose of Company" in Section 2.6(a) of its limited liability company agreement.

(b) Borrower will not acquire or own any material assets other than (I) the Property, and (II) such incidental personal property as may be necessary for the ownership, construction, management and operation of the Property.

(c) Borrower will maintain books, financial records and bank accounts (including checking and other bank accounts and custodian and other securities safekeeping accounts) that are separate and distinct from the books, financial records and bank accounts of any other

Person; provided that it may have a joint bank account with the other Borrower as co-borrower under the Loan.

(d) Borrower will maintain books, financial records and bank accounts in a manner so that it will not be difficult or costly to segregate, ascertain and otherwise identify the assets and liabilities of Borrower.

(e) Borrower will not commingle any of its assets, funds, liabilities or business functions with the assets, funds, liabilities or business functions of any other Person (other than (i) the other Borrower (A) as co-borrower under the Loan and (B) as co-obligor under the Alexander's Reimbursement Agreement (the "ALEXANDER'S REIMBURSEMENT AGREEMENT") made by Borrower to Alexander's for the reimbursement of payments under the Guaranties and (ii) Alexander's and the other Borrower as co-obligors to Vornado under the Vornado Reimbursement Agreement (the "VORNADO REIMBURSEMENT AGREEMENT") for the reimbursement of payments under the Guaranties).

(f) Borrower will observe all appropriate limited liability company procedures and formalities.

(g) Borrower will pay its own liabilities, losses and expenses only out of its own funds (except to the extent otherwise permitted or provided for under (i) the Loan Documents, (ii) the Alexander's Reimbursement Agreement for reimbursement of payments under the Guaranties and (iii) the Vornado Reimbursement Agreement for the reimbursement of payments under the Guaranties).

(h) Subject to clause (i) below, Borrower will maintain separate annual financial statements prepared in accordance with GAAP, consistently applied, showing its assets and liabilities separate and distinct from those of any other Person.

(i) In the event the financial statements of Borrower are consolidated with the financial statements of any other entity, then in addition to maintaining separate financial statements as required above, Borrower will cause to be included in such consolidated financial statements a note stating that "Borrower is a separate entity that has separate assets and liabilities as shown on Borrower separate financial statement".

(j) Borrower will pay or bear the cost of the preparation of its financial statements, and have such financial statements audited by a certified public accounting firm that is not affiliated with Borrower or its Affiliates.

(k) Borrower will not guarantee or become obligated for the debts or obligations of any other Person (other than (i) the other Borrower (A) as co-borrower under the Loan and (B) as co-obligor to Alexander's under the Alexander's Reimbursement Agreement for the reimbursement of payments under the Guaranties, (ii) Alexander's and the other Borrower as co-obligor to Vornado under the Vornado Reimbursement Agreement for the reimbursement of payments under the Guaranties) and (iii) in the case of the Commercial Owner, lease takeover obligations under Leases that Agent has approved (or has been deemed to have approved) pursuant to Section 4.1.9).

(l) Borrower will not hold out its credit as being available to satisfy the debts or obligations of any other Person (other than (i) the other Borrower (A) as co-borrower under the Loan and (B) as co-obligor under the Alexander's Reimbursement Agreement for the reimbursement of payments under the Guaranties, (ii) Alexander's and the other Borrower as co-obligor to Vornado under the Vornado Reimbursement Agreement for the reimbursement of payments under the Guaranties) and (iii) in the case of the Commercial Owner, lease takeover obligations under Leases that Agent has approved (or has been deemed to have approved) pursuant to Section 4.1.9).

(m) Borrower will hold itself out as an entity separate and distinct from any other Person (including its Affiliates).

(n) Borrower will correct any known misrepresentation or misunderstanding regarding its separate identity.

(o) Borrower will use separate stationery, business cards, purchase orders, invoices, checks and the like bearing its own name to the extent it will use such items.

(p) Borrower will maintain a sufficient number of employees or outside consultants in light of its contemplated business operations and pay their salaries out of its own funds (and the funds of the other Borrower as co-borrower under the Loan).

(q) Borrower will compensate all consultants, independent contractors, employees and agents from its own funds (or those of the other Borrower as co-borrower under the Loan) for services provided to it by such consultants, independent contractors, employees and agents.

(r) Borrower will, to the extent that Borrower and any of its Affiliates occupy any premises in the same location, allocate fairly, appropriately and nonarbitrarily any rent and overhead expenses among and between such entities with the result that each Person bears its fair share of all such rent and expenses.

(s) Borrower will, to the extent that Borrower and any of its Affiliates share the same officers and other employees, allocate fairly, appropriately and nonarbitrarily any salaries and expenses to the extent actually incurred by such parties related to providing benefits to such officers and other employees between or among such entities, with the result that each such entity will bear its fair share of the salary and benefit costs associated with all such common or shared officers or other employees.

(t) Borrower will, to the extent that Borrower and any of its Affiliates jointly contract or do business with vendors or service providers or share overhead expenses, allocate fairly, appropriately and nonarbitrarily any costs and expenses incurred in so doing between or among such Persons, with the result that each such Person bears its fair share of all such costs and expenses.

(u) Borrower will, to the extent Borrower contracts or does business with vendors or service providers where the goods or services are wholly or partially for the benefit of its Affiliates, allocate fairly, appropriately and nonarbitrarily any costs incurred in so doing to the

entity for whose benefit such goods or services are provided, with the result that each such Person bears its fair share of all such costs.

(v) Borrower will not make any loans or advances to any Person or buy or hold any securities issued by any other Person (except for cash and investment-grade securities and advances to Tenants of tenant allowances in accordance with Leases entered into in accordance with the terms of this Agreement).

(w) Borrower will conduct its own business solely in its own name, through its duly authorized officers or agents.

(x) Borrower will hold all of its assets in its own name (except for assets held jointly with the other Borrower as co-borrower under the Loan).

(y) Borrower will maintain an arm's-length like relationship with its Affiliates and enter into transactions with affiliates only on terms at least as favorable to Borrower as could be obtained at arm's length.

(z) Borrower will not pledge its assets to secure the liabilities of any other Person (other than the other Borrower as co-borrower under the Loan).

(aa) Borrower will not identify itself as a division or department of any other entity.

(bb) Assuming that Lenders fund the Loan, Borrower will maintain adequate capital in light of its contemplated business operations.

(cc) Borrower will conduct transactions between Borrower and third parties in the name of Borrower and as an entity separate and independent from its Affiliates.

(dd) Borrower will cause representatives, employees and agents of Borrower to hold themselves out to third parties as being representatives, employees or agents, as the case may be, of Borrower.

(ee) Borrower will cause transactions and agreements between Borrower, on the one hand, and any one or more of its Affiliates, on the other hand (including transactions and agreements pursuant to which the assets or property of one is used or to be used by the other), to be entered into in the names of the entities that are parties to the transaction or agreement and to be formally documented in writing.

(ff) Borrower will cause the pricing and other material terms of all transactions and agreements described in the immediately preceding clause (ee) above to be established by written agreement (by formula or otherwise) at the inception of the particular transaction or agreement on terms at least as favorable to Borrower as could be obtained at arm's length.

(gg) Borrower will not acquire or assume the obligations of its Affiliates (other than (i) the other Borrower (A) as co-borrower under the Loan and (B) as co-obligor to Alexander's under the Alexander's Reimbursement Agreement for the reimbursement of

payments under the Guaranties and (ii) Alexander's and the other Borrower as co-obligor to Vornado under the Vornado Reimbursement Agreement for the reimbursement of payments under the Guaranties).

(hh) Borrower will not form, hold, or acquire any subsidiary or own any other equity interest in any other Person except as expressly permitted in the Loan Documents.

(ii) Borrower will file any required tax returns and will make any required payments under applicable tax law .

(jj) If Borrower is a single member limited liability company, Borrower shall have at least two springing members, one of which, upon the dissolution of such sole member or the withdrawal or the disassociation of the sole member from Borrower, shall immediately become the sole member of Borrower, and the other of which shall become the sole member of Borrower if the first such springing member no longer is available to serve as such sole member.

(kk) Borrower hereby covenants and agrees that it will comply with or cause the compliance with (i) all the representations, warranties and covenants in this Section 3.1.24, and (ii) all the organizational documents of Borrower.

3.1.25 TAX FILINGS. Borrower has filed (or has obtained effective extensions for filing) all federal, state and local tax returns (if any) required to be filed and has paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments (if any) payable by Borrower. Borrower believes that its tax returns (if any) properly reflect the income and taxes of Borrower for the periods covered thereby, subject only to reasonable adjustments required by the Internal Revenue Service or other applicable tax authority upon audit.

3.1.26 SOLVENCY. Borrower (a) has not entered into the transaction or any Loan Document with the actual intent to hinder, delay, or defraud any creditor and (b) received reasonably equivalent value in exchange for its obligations under the Loan Documents. Giving effect to the Loan, the fair saleable value of Borrower's assets exceeds and will, immediately following the making of the Loan, exceed Borrower's total liabilities, including, without limitation, subordinated, unliquidated, disputed and contingent liabilities. The fair saleable value of Borrower's assets is and will, immediately following the making of the Loan, be greater than Borrower's probable liabilities, including the maximum amount of its contingent liabilities on its debts as such debts become absolute and matured. Borrower's assets do not and, immediately following the making of the Loan will not, constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted. Borrower does not intend to, and does not believe that it will, incur Indebtedness and liabilities (including contingent liabilities and other commitments) beyond its ability to pay such Indebtedness 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 obligations of Borrower).

3.1.27 FEDERAL RESERVE REGULATIONS. No part of the proceeds of the Loan will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose

which would be inconsistent with such Regulation U or any other Regulations of such Board of Governors, or for any purposes prohibited by Legal Requirements or by the terms and conditions of this Agreement or the other Loan Documents.

3.1.28 MEZZANINE DEBT. The Mezzanine Loan Documents constitute all of the loan documents given to evidence or secure the Mezzanine Loan and Borrower has delivered true and complete copies of the same to Agent. To the best of Borrower's knowledge, there is no default under the Mezzanine Loan Documents nor has any event occurred that, with notice or the passage of time, or both, would constitute a material default thereunder.

3.1.29 OFFICES; LOCATION OF BOOKS AND RECORDS. The chief executive office or chief place of business and the jurisdiction of organization (as such terms are used in Revised Article 9 of the UCC as in effect in the State of New York from time to time) of Borrower is set forth on SCHEDULE VIII or as otherwise described in a notice from Borrower to Agent, together with the organization number assigned to Borrower in such jurisdiction and Borrower's federal employer identification number. Borrower's books of accounts and records are located at its chief executive office or the chief place of business.

3.1.30 INTENTIONALLY OMITTED.

3.1.31 CONSTRUCTION MANAGEMENT AGREEMENTS. (i) The Construction Management Agreement is in full force and effect; (ii) Borrower and Construction Manager, are in full compliance with their respective obligations in all material respects under the Construction Management Agreement; and (iii) the work to be performed by Construction Manager under the Construction Management Agreement is the work called for by the Plans and Specifications.

3.1.32 ACCESS. All curb cuts and driveway permits shown on the Plans and Specifications or otherwise necessary for access to the Property are existing or have been fully approved by the appropriate Governmental Authority.

3.1.33 NO DEFAULT. No material Default and no Event of Default exists.

3.1.34 ARCHITECT'S CONTRACT. (i) The Architect's Contract is in full force and effect; and (ii) both Borrower and Borrower's Architect are in compliance in all material respects with their respective obligations under the Architect's Contract; and (iii) the work to be performed by the Architect under the Architect's Contract is the architectural services required to design the Improvements to be built in accordance with the Plans and Specifications and all architectural services required to complete the Improvements in accordance with the Plans and Specifications is provided for under the Architect's Contract.

3.1.35 PLANS AND SPECIFICATIONS. Borrower has furnished Agent true and complete sets of the Plans and Specifications that currently exist which comply with all applicable Legal Requirements, all Governmental Approvals, the requirements of the Leases, if any and all restrictions, covenants and easements affecting the Property, and which have been approved by Construction Manager, Guarantor, Borrower's Architect and by each such Governmental Authority as is required for construction of the Improvements.

3.1.36 ZONING. (a) Subject to Borrower's obtaining the Certificate(s) of Eligibility for Zoning Bonus for the remaining Bonus Area, the land use and zoning regulations which are in effect for the Land permit the construction of the Improvements thereon on an as-of-right basis and no variance, conditional use permit, special use permit or other similar approval is required for such construction or (subject to obtaining a certificate of occupancy for the Improvements) the use of the Improvements as a mixed use, residential, office and retail complex as described in the definition of "Improvements."

(b) All easements, restrictions, covenants or operating agreements that benefit or burden the Property are in full force and effect, and to the best of Borrower's knowledge there are no defaults in any material respect thereunder by any party.

3.1.37 BUDGET. The Building Loan Budget (as adjusted from time to time in accordance with the terms hereof) accurately reflects all Building Loan Costs. Upon the making of the Advances requested in Borrower's Requisition in the manner set forth therein, all materials and labor theretofore supplied or performed in connection with the Property will have been paid for in full (subject to the Retainage).

3.1.38 FEASIBILITY. Each of the Construction Schedule and the Disbursement Schedule (each as adjusted from time to time with the reasonable approval of Agent and its Construction Consultant in accordance with the terms hereof) is accurate to date.

3.1.39 SUBWAY AGREEMENT. The Subway Agreement is in full force and effect, neither Borrower is in default thereunder 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. The Subway Agreement has not been modified, amended or supplemented except with the prior reasonable approval of Agent in each instance.

3.1.40 BLOOMBERG LEASE. The Bloomberg Lease is in full force and effect, to the best of Borrower's knowledge no default in any material respects exists under the Bloomberg Lease on the part of the Tenant, or Commercial Owner, as Landlord, thereunder, nor has any event occurred which with notice or the passage of time, or both, would constitute such a default in any material respects.

3.1.41 CONDOMINIUM DOCUMENTS. From and after such time as Borrower shall have elected to convert the Property to Condominium ownership, all Condominium Documents comply with all applicable State statutes (including, without limitation, condominium statutes), Federal and State Securities Laws, Federal and State Truth-in-Lending Statutes, HUD filings re: interstate sales (if applicable), and the requirements of any Governmental Authority or Local Authority having jurisdiction. Moreover, the filing of the declaration of condominium will create a valid and conforming condominium under the laws of the State.

3.1.42 UNIT CONTRACTS. From and after such time as Borrower shall have elected to convert the Property to Condominium ownership, the contracts for the sale of individual Residential Units submitted to Agent by Borrower and all future contracts relating to individual Residential Units, assuming the existence and, if applicable, the competence, of the purchaser and the delivery of the contract to Borrower by the purchaser, are and will be, subject to the

terms and conditions therein contained, the valid and binding obligations of the purchaser and not rescindable by the purchaser for any reason except failure to complete construction of the Improvements and failure to create a condominium pursuant to State law or failure to satisfy a financing contingency or Borrower's default thereunder or as otherwise provided in the Offering Plan (which is subject to Agent's approval, not to be unreasonably withheld), and are Qualifying Contracts as provided for herein.

3.1.43 ZLDA. The ZLDA is in full force and effect, neither Borrower is in default thereunder 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. The ZLDA has not been modified, amended or supplemented.

3.1.44 FULL AND ACCURATE DISCLOSURE. To the best of Borrower's knowledge, no information contained in this Agreement, the other Loan Documents, or any written statement furnished by or on behalf of Borrower pursuant to the terms of this Agreement on the Closing Date contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which they were made. In addition, there is no fact or circumstance presently known to Borrower which has not been disclosed to Agent, which is not available to the general public, and which materially adversely affects, or is reasonably likely to materially adversely affect, the Property, Borrower or its business, operations or condition (financial or otherwise).

3.1.45 FOREIGN PERSON. Borrower is not a "foreign person" within the meaning of Section 1445(f)(3) of the Code.

3.1.46 INVESTMENT COMPANY ACT. Borrower is not (i) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended; or (ii) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

3.1.47 ORGANIZATIONAL STRUCTURE. Borrower's organizational structure is (subject to Transfers that are consummated in accordance with the terms of the Loan Documents) accurately reflected on its organizational chart, which is annexed hereto as EXHIBIT G.

3.1.48 TAX CERTIFICATES. The 421-a Negotiable Certificates are validly issued, benefit the Property and may be freely transferred in accordance with applicable Legal Requirements by Residential Owner in accordance with their terms without any requirement for any Governmental Approval or other consent or approval. Borrower has not assigned the 421-a Negotiable Certificates or its rights therein (under an assignment that remains in effect) other than pursuant to the Loan Documents.

3.1.49 INCLUSIONARY HOUSING PROGRAM. (a) To Borrower's knowledge, each of the HPD Off-Site Agreement and the Inclusionary Air Rights Agreement is valid, binding and enforceable in accordance with its terms against the parties thereto, subject to bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights in general.

(b) Neither Borrower nor Off-Site Developer is in default of its obligations under the Inclusionary Air Rights Agreement. The Inclusionary Air Rights Agreement represents the entire agreement between Off-Site Developer and Borrower with respect to the subject matter thereof. To Borrower's knowledge, the Inclusionary Air Rights Agreement has not been amended, modified or otherwise changed or the provisions thereof waived.

(c) The Certificates of Eligibility for Zoning Bonus that have been issued to date for the Existing Development Rights have each been validly issued, benefit the Property and may be freely transferred in accordance with applicable Legal Requirements by Residential Owner in accordance with their terms without any requirement for any Governmental Approval or other consent or approval. Borrower's has not assigned any of the Certificates of Eligibility or its rights therein (under an assignment that remains in effect) other than pursuant to the Loan Documents.

(d) The Property is eligible for the benefits provided by the Certificates of Eligibility for Zoning Bonus.

SECTION 3.2 CONTINUING EFFECTIVENESS AND SURVIVAL OF REPRESENTATIONS.

All representations and warranties contained in any documents furnished to Agent and/or Lenders by or on behalf of Borrower, as part of or in support of the Loan application or pursuant to this Agreement or any of the other Loan Documents shall be deemed to be incorporated by reference in each requisition for Advance by Borrower, and each Draw Request submitted to Agent as provided in Section 2.10.1 hereof shall constitute an affirmation that the representations and warranties contained in Article III of this Agreement and in the other Loan Documents remain true and correct in all material respects as of the date of such Draw Request unless Borrower specifically notifies Agent of any change therein; and unless Agent is notified to the contrary, in writing, prior to the disbursement of the requested Advance or any portion thereof; shall constitute an affirmation that the same remain true and correct in all material respects on the date of such disbursement unless Borrower specifically notifies Agent of any change therein. The representations and warranties set forth in Section 3.1 shall survive for so long as any amount remains payable to Agent and/or Lenders under this Agreement or any of the other Loan Documents.

IV. BORROWER COVENANTS

SECTION 4.1 BORROWER AFFIRMATIVE COVENANTS.

Borrower hereby covenants and agrees that:

4.1.1 EXISTENCE; COMPLIANCE WITH LEGAL REQUIREMENTS. 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 and shall comply with all Legal Requirements applicable to it and the Property. When completed according to the Plans and Specifications and, if relevant, when the applicable Condominium Documents have been filed with and approved by the New York Department of Law, the Improvements will comply in all material respects with all applicable Legal Requirements.

4.1.2 TAXES AND OTHER CHARGES. Borrower shall pay all Taxes and Other Charges now or hereafter levied or assessed or imposed against the Property or any part thereof as the same become due and payable. Borrower shall furnish to Agent receipts for the payment of the Taxes and the Other Charges prior to the date that the same shall become delinquent (to the extent that the applicable Governmental Authority issues such receipts). Borrower shall not permit or suffer and shall promptly discharge any Lien (other than Permitted Encumbrances) against the Property. After prior notice to Agent, Borrower, at its own expense, may contest by appropriate legal proceeding, conducted in good faith and with due diligence, the amount or validity of any Taxes or Other Charges, provided that (i) as a condition to maintaining such proceeding Borrower is required to pay the amount of any such Taxes or Other Charges; (ii) such proceeding shall be permitted under and be conducted in accordance with all applicable statutes, laws and ordinances; and (iii) neither the Property nor any part thereof or interest therein will be in danger of being sold, forfeited, terminated, canceled or lost.

4.1.3 LITIGATION. Borrower shall give prompt notice to Agent of any litigation or governmental proceedings pending or threatened against Borrower which is reasonably expected to materially adversely affect the Property, the Cash Collateral or Borrower's ability to perform its obligations hereunder or under the other Loan Documents.

4.1.4 ACCESS TO PROPERTY. Borrower shall permit agents, representatives and employees of Agent to inspect the Property or any part thereof at reasonable hours upon reasonable advance notice (subject to the rights of any Tenants and other third parties, if any).

4.1.5 FURTHER ASSURANCES; SUPPLEMENTAL MORTGAGE AFFIDAVITS. Borrower shall, at Borrower's sole cost and expense:

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

(b) do and execute all and such further lawful and reasonable acts, conveyances and assurances for the better and more effective carrying out of the intents and purposes of this Agreement and the other Building Loan Documents, as Agent shall reasonably require from time to time; and

(c) furnish to Agent all instruments, documents, certificates, plans and specifications, appraisals, title and other insurance, reports and agreements and each and every other document and instrument in each case required to be furnished by the terms of this Agreement or the other Building Loan Documents, all at Borrower's reasonable expense.

4.1.6 FINANCIAL REPORTING. (a) Each Borrower shall keep and maintain or will cause to be kept and maintained proper and accurate books and records, in accordance with GAAP, reflecting the financial affairs of such Borrower. Agent shall have the right from time to time during normal business hours upon reasonable notice to Borrower to examine such books and records at the office of Borrower or other Person maintaining such books and records and to make such copies or extracts thereof as Agent shall desire.

(b) Each Borrower shall furnish Agent annually, within ninety days following the end of each Fiscal Year, a complete copy of such Borrower's and each Guarantor's annual financial statements audited by the Approved Accountant prepared in accordance with GAAP, including, without limitation, statements of (i) assets and liabilities and net worth, (ii) income and expense and (iii) cash flow for such Borrower, together with a copy of each Guarantor's Form 10K.

(c) Each Borrower will furnish Agent on or before the thirtieth (30th) day after the end of each fiscal quarter (based on Borrower's Fiscal Year), the following items:

- (i) a current rent roll for the Property; and
- (ii) an aging report as to Tenant receivables.

(d) Borrower will furnish Agent on or before the forty-fifth (45th) day after the end of each such fiscal quarter, the following items:

(i) if the term of the Loan is extended as herein provided, commencing with the first calendar quarter (or partial quarter) during the first Extension Period and thereafter during each Extension Period, an Officer's Certificate setting forth a calculation reflecting the Pro Forma NOI and the Debt Service Coverage Ratio as of the first day of such quarter, for such quarter; and

(ii) unaudited, quarterly financial statements for each Borrower and each Guarantor, including, without limitation, quarterly and year to date statements of (i) assets and liabilities and net worth, (ii) income and expense and cash flow for each Borrower and each Guarantor, with a balance sheet for Borrower and each Guarantor prepared in accordance with GAAP, together with a copy of each Guarantor's Form 10Q.

(iii) a comparison of the budgeted income and expenses and the actual income and expenses for such month and year to date for the Property, together with a detailed explanation of any material variances between budgeted and actual amounts for such period and year to date.

(e) Each Borrower will furnish to Agent within thirty (30) days following the end of each calendar month, the following items, each of which shall be certified as true and correct by an authorized senior officer of Borrower (without recourse to said officer) or, if applicable, its managing member or general partner (without recourse to said managing member or general partner, as the case may be):

- (i) leasing status reports for the Property in form acceptable to Agent; and

(ii) a monthly Residential Unit sales report.

(f) Borrower will furnish to Agent promptly after Borrower's receipt thereof from Bloomberg, the following items (the "BLOOMBERG STATEMENTS"):

(i) a complete copy of Bloomberg's audited annual financial statements; and

(ii) Bloomberg's semi-annual "CHECK-THE-BOX" summary, which summary shall be accompanied by a written statement from Bloomberg's independent auditors that such summary does not contain a material misstatement or omission.

Borrower shall use commercially diligent efforts to enforce its rights under the Bloomberg Lease to receive the Bloomberg Statements. Agent and each Lender agrees to abide by the confidentiality provisions of the Bloomberg Lease with respect to the Bloomberg Statements delivered to it pursuant to the terms hereof.

(g) Each Borrower's financial statements delivered pursuant to subsections (b) and (d) above shall be accompanied by an Officer's Certificate (A) stating that such financial statements present fairly the financial condition and the results of operations of Borrower and (B) certifying as of the date thereof whether to the best of such Borrower's knowledge there exists an event or circumstance which constitutes a Default or Event of Default by Borrower under the Loan Documents and if such Default or Event of Default exists, the nature thereof, the period of time it has existed and the action then being taken to remedy the same. Each Guarantor's financial statements delivered pursuant to (b) and (d) above shall be accompanied by the "OFFICER'S CERTIFICATE" under (and as defined in) the Guaranty.

(h) Borrower shall promptly provide Agent with a copy of any notice received from a Tenant under a Major Lease threatening non-payment of Rent or other material default, alleging or acknowledging a material default by landlord, requesting a termination of a Major Lease or a material modification of any Major Lease or notifying Borrower of the exercise or non-exercise of any option provided for in such Tenant's Major Lease, or any other similar material correspondence received by Borrower from any Tenant under any Major Lease.

(i) Borrower shall submit the Annual Budget to Agent for Agent's information not later than thirty (30) days before the commencement of each Fiscal Year that occurs after Completion of the Base Building Work. Notwithstanding the foregoing, Agent's reasonable approval shall be required with respect to the Annual Budget upon the occurrence of any Trigger Event for so long as a Cash Trap Period exists. If such Trigger Event occurs after the beginning of a Fiscal Year, Borrower shall submit a revised Annual Budget for the balance of such Fiscal Year to Agent for its reasonable approval. Notwithstanding the foregoing, Agent's approval shall not be required with respect to the Residential Component after the Condominium Conversion occurs.

(j) Each Borrower shall furnish to Agent, within five (5) Business Days after request (or as soon thereafter as may be reasonably possible), such further detailed information with respect to the operation of the Property and the financial affairs of Borrower as may be reasonably requested by Agent.

(k) Agent shall have the right to distribute to Lenders each of the items required by this Section 4.1.6 (each, a "REQUIRED FINANCIAL ITEM"), as well as any and all financial information submitted by Tenants subject to the restrictions, if any, imposed under the related Lease, including, but not limited to, the specific restrictions contained in the Bloomberg Lease.

4.1.7 TITLE TO THE PROPERTY. Borrower will warrant and defend the validity and priority of the Liens of the Building Loan Mortgage and the Assignment of Leases on the Property and the Lien created pursuant to the Cash Collateral Agreement on the Cash Collateral against the claims of all Persons whomsoever, subject with respect to the Property only to Permitted Encumbrances. The Title Company, in its capacity as subrogee to Lenders' rights against Borrower, shall not have the right to enforce this Section 4.1.7 against Borrower.

4.1.8 ESTOPPEL STATEMENT. (a) After request by Agent, Borrower shall within five (5) Business Days furnish Agent with a statement, duly acknowledged and certified, stating (i) the unpaid principal amount of the Building Loan Note, the Supplemental Loan Note and the Project Loan Note, respectively, (ii) the Applicable Interest Rate of the Note, (iii) the date installments of interest and/or principal were last paid on the Note, (iv) any offsets or defenses to the payment of the Total Debt, if any, and (v) that this Agreement, the Supplemental Loan Agreement and the Project Loan Agreement and the other Loan Documents have not been modified or if modified, giving particulars of such modification.

(b) After request by Borrower, Agent shall within ten (10) Business Days furnish Borrower with a written statement that (i) the unpaid principal amount of the Building Loan Note, the Supplemental Loan Note and the Project Loan Note, respectively, (ii) the Applicable Interest Rate of the Note, (iii) the date installments of interest and/or principal were last paid on the Note, and (iv) that this Agreement, the Supplemental Loan Agreement and the Project Loan Agreement and the other Loan Documents have not been modified or if modified, giving particulars of such modification, provided that Borrower shall not have the right to request such certificate from Agent more frequently than two (2) times in any calendar year..

(c) After request by Agent, Borrower shall use commercially reasonable efforts to obtain and deliver to Agent an estoppel certificate from each Tenant under any Lease; provided that such certificate may be in the form required under such Lease; provided further that Borrower shall not be required to use such efforts to obtain and deliver such certificates more frequently than two (2) times in any calendar year.

4.1.9 LEASES. (a) All Leases and all renewals of Leases executed after the date hereof shall (i) provide for a Net Effective Annual Rent at a minimum Net Effective Annual Rental Rate on a per square foot basis as reflected on SCHEDULE XXXII as such minimum Net Effective Annual Rental Rates may be changed from time to time with the approval of Agent, which approval shall not be unreasonably withheld provided that the same reflect then market conditions and tenant improvements, tenant allowances and leasing commissions consistent with the undisbursed amounts reserved for such anticipated costs in the Loan Budget (unless Borrower otherwise complies with the balancing requirements of Section 2.1.11) for such tenant improvements, tenant allowances and leasing commissions), (ii) otherwise be on commercially reasonable terms, (iii) provide that such Lease is subordinate to the Mortgage (which, in the case of a Major Lease or any office Lease for an entire floor or any other retail Lease that is expressly

approved by Agent, may be conditioned upon Agent's entering into a Subordination, Non-disturbance and Attornment agreement in accordance with Section 4.1.9(b) and that, upon the foreclosure of the Mortgage, sale by power of sale thereunder or deed-in-lieu of foreclosure, the Tenant will attorn to the transferee of the Property; (iv) be prepared on the Approved Lease Form with such modifications as are consistent with the market and that result from arms-length negotiations that Borrower conducts in good faith; (v) be with unaffiliated third party tenants, (vi) not contain any terms which would materially adversely affect Agent's and/or Lenders' rights under the Loan Documents, (vi) be for a minimum term of five (5) years (exclusive of any renewals), and (vii) not require the payment or assumption by Borrower of any lease take-over obligations of the Tenant under such Lease except to the extent expressly consented to by Agent in advance (not to be unreasonably withheld) (the conditions set forth in clauses (i) through (vii) above are collectively referred to as the "LEASING PARAMETERS"). No leases of the Residential Component or any space therein, or of any Residential Units shall be entered into without Agent's prior consent, which shall not be unreasonably withheld provided that such space will achieve a minimum weighted average effective rental rate of \$50.00 psf and Agent reasonably determines that Borrower's election to rent the Residential Component or any space therein would not impair Borrower's ability to repay the Loan upon maturity. Agent acknowledges having received and approved Borrower's Approved Lease Form for office space at the Property and Agent agrees that such form, with such changes as shall be reasonably necessary to reflect that fact that the premises demised thereunder is for retail use rather than office use, shall be acceptable to Agent provided that such changes shall be submitted to Agent for its reasonable approval prior to Borrower's using such form at the Property for retail space.

(b) All Major Leases and all renewals, amendments and modifications thereof executed after the date hereof shall, prior to execution, be subject to Agent's approval, which shall not be unreasonably withheld provided that the proposed Tenant is creditworthy (as determined by Agent in its reasonable discretion) and such Lease complies with the Leasing Parameters. Upon request, Agent shall enter into a Subordination, Non-Disturbance and Attornment Agreement (substantially in the form annexed hereto as SCHEDULE XXVIII) with any Tenant, for any approved Major Lease or for any other office Lease for an entire floor of space in the Building or for any other retail Lease provided in each case that Agent shall have expressly approved such Lease (not to be unreasonably withheld) regardless of whether such approval would otherwise have been required hereunder. Borrower shall not permit or consent to the assignment of any Major Lease without Agent's prior consent (not to be unreasonably withheld) unless and except to the extent the right to assign without Borrower's consent is already reserved to the tenant thereunder in any Major Lease in existence on the date of this Agreement or the right to assign without Borrower's consent under a specific circumstance (such as mergers or consolidations) is included within the approved Leasing Parameters.

(c) Notwithstanding anything to the contrary contained in this Section 4.1.9:

(i) whenever Agent's approval or consent is required pursuant to the provisions of this Section 4.1.9, Borrower shall have the right to submit a term sheet of such transaction to Agent for Agent's approval, such approval not to be unreasonably withheld or delayed. Any such term sheet submitted to Agent shall set forth all material terms of the proposed transaction, including, without limitation, identity of tenant, square footage, term, rent, rent credits, abatements, work allowances and tenant improvements to

be constructed by Borrower and shall be accompanied by financial information and statements for the proposed tenant if available to Borrower at such time. Agent shall use good faith efforts to respond within ten (10) Business Days after Agent's receipt of Borrower's written request for approval or consent of such term sheet and, if available, such tenant financials. If Agent fails to respond to such request within ten (10) Business Days, and Borrower sends a second written request by Notice (specially marked in accordance with Section 10.6) and Agent fails to respond to such second request before the expiration of five (5) Business Days after Agent's receipt of such second request, then such proposed terms as set forth on such proposed term sheet shall be deemed to have been consented to or approved;

(ii) whenever Agent's approval or consent is required pursuant to the provisions of this Section 4.1.9 for any matter that Lender has not previously approved a term sheet and tenant financials pursuant to Section 4.1.9(c)(i) above, Agent shall use good faith efforts to respond within ten (10) Business Days after Agent's receipt of Borrower's written request for such approval or consent. If Agent fails to respond to such request within ten (10) Business Days, and Borrower sends a second written request by Notice (specially marked in accordance with Section 10.6) and Agent fails to respond to such second request before the expiration of five (5) Business Days after Agent's receipt of such second request, Agent shall be deemed to have approved or consented to the matter for which Agent's consent or approval was sought;

(iii) whenever Agent's approval or consent is required pursuant to the provisions of this Section 4.1.9 for any matter that Agent has previously approved a term sheet pursuant to Section 4.1.9(c)(i) above, Agent shall use good faith efforts to respond within five (5) Business Days after Agent's receipt of Borrower's written request for such approval or consent together with the proposed Lease, provided that such request shall be accompanied by tenant financials unless previously furnished to Agent with the term sheet. If Agent fails to respond to such request within five (5) Business Days, and Borrower sends a second written request by Notice (specially marked as provided in Section 10.6), Agent shall be deemed to have approved or consented to the matter for which Lender's consent or approval was sought if Agent fails to respond to such second request before the expiration of such five (5) Business Day period, provided that there have been no material deviations from the term sheet and that the aggregate economics of the transaction are no less favorable to Borrower than as set forth in the term sheet;

(iv) in the event that Agent shall have approved (or be deemed to have approved) a term sheet submitted by Borrower with respect to a certain Lease, Agent shall not withhold its approval or consent with respect to such Lease on the basis of any provisions of such Lease dealing with the items contained in the approved term sheet (it being understood that nothing in this clause (iv) limits Agent's obligation to approve Major Leases or renewals, amendments and modifications thereof under Section 4.1.9(b)); and

(v) Borrower shall have the right, without the consent or approval of Lender in any instance, to terminate or accept a surrender of any Lease (except for a Required Lease) in the case of a bona fide breach or default by a Tenant of a material obligation

under its Lease which breach has continued beyond the expiration of any applicable notice, grace or cure period or, with the approval of Agent (which shall not be unreasonably withheld) for any other bona fide sound business reason.

(d) Borrower (i) shall observe and perform the obligations imposed upon the lessor under the Leases in a commercially reasonable manner; (ii) shall enforce the terms, covenants and conditions contained in the Leases upon the part of the lessee thereunder to be observed or performed in a commercially reasonable manner; provided, however, except as otherwise permitted pursuant to Section 4.1.9(c)(v), Borrower shall not terminate or accept a surrender of any Lease without Agent's prior approval (which approval in all cases other than a Required Lease, shall not be unreasonably withheld); (iii) shall not collect any of the Rents more than one (1) month in advance (other than security deposits and the first month's rent upon signing); (iv) shall not execute any assignment of lessor's interest in the Leases or the Rents (except as contemplated by the Loan Documents); and (v) shall not alter, modify or change any Lease (unless as changed such Lease would nevertheless satisfy the Leasing Parameters then in effect hereunder and such Lease is not a Major Lease, is not a Lease as to which Agent shall have entered into a Subordination, Non-Disturbance and Attornment Agreement or a Lease as to which Agent's approval was initially required) or grant any option for additional space or term (unless the grant of any such option if exercised would not constitute a Major Lease or require the approval of Agent under this Section 4.1.9 had it been entered into as a direct lease rather than an option), without in each case the prior approval of Agent, which approval shall not be unreasonably withheld.

(e) Upon request, Borrower shall furnish Agent with executed copies of all Leases, certified as true and complete by Borrower.

(f) Upon request, to the extent permitted by applicable law, Borrower will cause any and all tenant security deposits, whether cash or cash equivalents, to be maintained with or held by Agent. Agent shall hold such deposits in an account that complies with applicable Legal Requirements.

4.1.10 ALTERATIONS. Upon completion of the Improvements, Agent's prior approval shall be required in connection with any alterations to any Improvements that may (a) have a material adverse effect on Borrower's financial condition, the value of the related Property or the Pro Forma NOI, (b) result in a reduction of the square footage of the improvements and/or (c) adversely affect the use or operation of the related Improvements, provided that Agent's prior approval shall not be required in connection with any alterations to any improvements in the Residential Component after any Condominium Conversion occurs or to any tenant improvements pursuant to Leases which have been approved (or deemed approved) by Agent or for which no approval was required in accordance with the provisions of this Agreement. If the total unpaid amounts incurred and to be incurred with respect to any alterations to the Improvements or after any Condominium Conversion to the Commercial Component shall at any time exceed the Alteration Threshold, Borrower shall promptly deliver to Agent as security for the payment of such amounts and as additional security for Borrower's obligations under the Loan Documents any of the following: (i) cash, (ii) U.S. Obligations or (iii) other securities (including a Letter of Credit) acceptable in all respects to Agent. Such security shall be in an amount equal to the excess of the total unpaid amounts incurred and to be

incurred with respect to alterations to the Improvements (other than such amounts to be paid or reimbursed by Tenants under the Leases) over the Alteration Threshold. The provisions of this Section 4.1.10 shall not pertain with respect to a Restoration for which the provisions of Article V are intended to govern.

4.1.11 FINANCIAL COVENANTS. During each Extension Period, the Debt Service Coverage Ratio for the Property, calculated as of the first day of each calendar quarter during each Extension Period (each such day, a "DETERMINATION DATE"), shall not be less than 1.3 to 1.0 (the "MINIMUM DSCR"). If on any Determination Date the Debt Service Coverage Ratio for the Property shall be less than the Minimum DSCR (a "TRIGGER EVENT"), Borrower shall deposit with Agent all Net Cash Flow received by Borrower during the period (the "CASH TRAP PERIOD") while the Trigger Event continues and until such time as such Trigger Event has not existed for a period of six (6) consecutive months, and such Net Cash Flow shall be held by Agent pursuant to Section 6.1 (the amounts deposited with Agent pursuant to this Section 4.1.11 are referred to herein as the "NCF FUNDS"). In the event that a Trigger Event shall continue for a period of three (3) consecutive calendar quarters (including the calendar quarter in which the Trigger Event occurs) (a "CONTINGENT AMORTIZATION TRIGGER EVENT"), the NCF Funds being held by Agent and all NCF Funds thereafter received by Agent during the Cash Trap Period shall be applied by Agent first to the payment of any accrued and unpaid interest on the Loan and then to reduce the outstanding principal balance of the Loan until and to the extent necessary to restore the Debt Service Coverage Ratio for the Property to the required Minimum DSCR for a period of six (6) consecutive months following the Contingent Amortization Trigger Event. All such payments shall be applied to reduce the outstanding principal balance of the Project Loan, the Supplemental Loan and/or the Building Loan in such order and in such priority as Agent shall determine in its sole discretion. The failure of the Property to maintain a Debt Service Coverage Ratio on any Determination Date of at least the Minimum DSCR shall not constitute a Default unless Borrower fails to thereafter deposit all Net Cash Flow during the Cash Trap Period as required herein.

4.1.12 UPDATED APPRAISAL. Upon the written request of Agent, Borrower shall promptly reimburse Agent for the reasonable cost of an updated appraisal of the Property as Agent may require, in form and substance and conducted by an appraiser satisfactory to Agent and its internal appraisal staff in all respects; provided, however, that Borrower shall not be required to reimburse Agent for an updated FIRREA standard appraisal of the Property more frequently than once every two (2) years.

4.1.13 FACILITY FEE AND ADMINISTRATIVE FEE. Borrower shall pay to Agent the Up-Front Fee and the Administrative Fee in accordance with the Loan Fee Letter.

4.1.14 INTEREST RATE PROTECTION AGREEMENT. (a) Not later than six (6) months following the Closing Date, or within ten (10) Business Days after request of Agent if prior to such time the 30-day LIBO Rate shall be greater than 5.5%, Borrower shall obtain and at all times thereafter during the initial term of the Loan, Borrower shall maintain in effect an Interest Rate Protection Agreement having a term coterminous with the initial term of the Loan, with an initial notional amount equal to the amount of the Loan or, if the Loan is not then fully funded, having an increasing notional amount, with increases to be based on the draw schedule for the Loan (with the intent that, to the extent reasonably practicable, the notional amount applicable

from time to time shall equal the outstanding principal balance of the Loan and that if it does not, Borrower shall, upon request by Agent, amend the Interest Rate Protection Agreement to increase the notional amounts) and with a Counterparty reasonably acceptable to Agent having a Minimum Counterparty Rating. If Borrower obtains one (1) interest rate cap, the LIBOR strike rate under the Interest Rate Protection Agreement shall be equal to or less than the Capped LIBOR Rate calculated on an annual basis, or if Borrower obtains more than one (1) interest rate cap, the blended LIBOR strike rate under the Interest Rate Protection Agreement, as determined by Lender, shall be equal to or less than the Capped LIBOR Rate. The Interest Rate Protection Agreement shall be in form and substance substantially similar to the Interest Rate Protection Agreement in effect as of the date hereof. In the event of any downgrade or withdrawal of the rating of such Counterparty by any Rating Agency below a credit rating from S&P and Fitch of at least "A" and from Moody's of at least "A2", Borrower shall replace the Interest Rate Protection Agreement not later than thirty (30) days following receipt of notice from Lender of such downgrade or withdrawal with an Interest Rate Protection Agreement in form and substance reasonably satisfactory to Lender (and meeting the requirements set forth in this Section 4.1.14) from a Counterparty reasonably acceptable to Lender having a Minimum Counterparty Rating. Borrower shall have the right to pay the premium for the Interest Rate Protection Agreement from the Interest Reserve.

(b) Borrower shall comply with all of its obligations under the terms and provisions of the Interest Rate Protection Agreement. Borrower shall take all action reasonably requested by Agent to enforce Agent's rights under the Interest Rate Protection Agreements in the event of a default by Counterparty and shall not waive, amend or otherwise modify any of its rights thereunder.

(c) Borrower shall collaterally assign to Agent, pursuant to an Assignment of Interest Rate Protection Agreement substantially in the form attached hereto as EXHIBIT C-2, all of its right, title and interest to receive any and all payments under the Interest Rate Protection Agreement (and any related guarantee, if any) and shall deliver to Agent an executed counterpart of such Interest Rate Protection Agreements, 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 Agreement directly to Agent until such time as the Assignment of Interest Rate Protection Agreement is terminated or otherwise canceled. At such time as the Loan is repaid in full, all of Agent's right, title and interest in the Interest Rate Protection Agreement shall terminate and Agent shall execute and deliver at Borrower's sole cost and expense, such documents as may be required to evidence Agent's release of the Interest Rate Protection Agreements and to notify the Counterparty of such release. If Agent receives any payments under the Interest Rate Protection Agreement (other than a payment by reason of a termination event thereunder or any other payment during the existence of an Event of Default), Agent shall have the right to hold the same, deposit the same in a cash collateral account as additional security for the Loan and to apply same to the payment of accrued and unpaid interest on any Payment Date. If Agent receives any payments under the Interest Rate Protection Agreement during the existence of an Event of Default or by reason of a termination event under the Interest Rate Protection Agreement, Agent shall have the right to hold same, to deposit same in such cash collateral account or to apply same to any portion of the Debt in any order it desires or, if the Interest Rate Protection Agreement has been partially or wholly terminated, to apply same to the

cost of acquiring another interest rate protection agreement in form and substance, and from a counterparty, satisfactory to Agent in all respects.

(d) In the event that Borrower fails to purchase and deliver to Agent the Interest Rate Protection Agreement as and when required hereunder, Agent may purchase the Interest Rate Protection Agreements and the cost incurred by Agent in purchasing the Interest Rate Protection Agreements shall be paid by Borrower to Agent with interest thereon at the Default Rate from the date such cost was incurred by Agent until such cost is paid to Agent.

(e) Borrower's failure to comply with any or all of the foregoing covenants set forth in this Section 4.1.14 (within ten (10) Business Days after notice thereof is given by Agent to Borrower) shall constitute an Event of Default hereunder.

4.1.15 CONSTRUCTION MANAGEMENT AGREEMENT. Borrower shall (i) enforce the Construction Management Agreement in the best interests of the Improvements using sound business judgment, (ii) waive none of the material obligations of any of the parties thereunder, (iii) do no act which would relieve Construction Manager from its material obligations to construct the Improvements according to the Plans and Specifications and (iv) make no amendments to or change orders under the Construction Management Agreement, except as permitted under Section 4.2.13, without the prior approval of Agent which approval shall not be unreasonably withheld. Borrower shall from time to time, upon request by Agent, use reasonable efforts to cause Construction Manager to provide Agent with reports in regard to the status of construction of the Improvements, in such form and detail as reasonably requested by Agent.

4.1.16 ARCHITECT'S CONTRACT. Borrower shall (i) enforce the Architect's Contract in the best interest of the Improvements using sound business judgment, (ii) waive none of the material obligations of Borrower's Architect thereunder, (iii) do no act which would relieve Borrower's Architect from its material obligations under the Architect's Contract and (iv) make no amendments to the Architect's Contract without the prior approval of Agent which approval shall not be unreasonably withheld. Borrower shall from time to time, upon request by Agent, cause Borrower's Architect to provide Agent with reports in regard to the status of construction of the Improvements, in such form and detail as reasonably requested by Agent.

4.1.17 INSURANCE. Borrower shall maintain in effect at all times while Borrower is indebted to Lenders for the Loan the insurance policies required by this Agreement. The proceeds of any insurance shall be applied in accordance with the terms of Section 5.3. Borrower shall also furnish Agent with evidence or certificates from insurance companies indicating that Borrower's Architect and the Major Trade Contractors responsible for the design or construction of the Improvements are covered by professional liability insurance or other liability insurance, as applicable, as required by the applicable contract approved by Agent; such evidence or certificates to be delivered to Agent on or before the date of this Agreement.

4.1.18 APPLICATION OF LOAN PROCEEDS. Borrower shall use the proceeds of the Building Loan solely and exclusively for the purposes of constructing the Improvements in accordance herewith and in accordance with the Building Loan Budget that shall be subject to no change except as permitted hereby. Borrower will receive the Advances to be made hereunder

and will hold the right to receive the same as a trust fund for the purpose of paying the Costs of the Improvement and it will apply the same first to such payment before using any part thereof for any other purpose.

4.1.19 BUILDING LOAN COSTS AND EXPENSES. Borrower shall promptly pay when due all Building Loan Costs unless Borrower is disputing in good faith whether any such Building Loan Costs are due; provided that Borrower's right to dispute the same shall not diminish Borrower's obligations to remove or discharge in accordance with the terms of this Agreement, the Mortgage and the other Loan Documents any mechanic's or materialman's Liens filed against the Property.

4.1.20 FEES. Borrower shall promptly pay when due the reasonable fees of the Construction Consultant, all reasonable out-of-pocket costs and expenses, including, without limitation, appraisal fees (to the extent provided herein), recording fees and charges, abstract fees, title policy fees, escrow fees, reasonable attorneys' fees, fees of inspecting architects and engineers to the extent provided hereunder in connection with Advances, environmental consultants to the extent provided in the Building Loan Mortgage, mortgage servicing fees and expenses, and all other reasonable costs and expenses of every character which have been incurred or which may hereafter be incurred by Agent in connection with the preparation and execution of the Building Loan Documents, including any extension, amendment or modification thereof, the funding of the Building Loan, and enforcement of the Building Loan Mortgage, the Building Loan Note, and the other Building Loan Documents, and for any services which may be required in addition to those normally and reasonably contemplated hereby and or by the other Loan Documents or which may be required in the negotiation, preparation, execution and delivery of any consents, amendments, waivers or other modifications to this Agreement and the other Loan Documents and any subordination, non-disturbance and attornment agreement or Lease approvals, the releases of Residential Units or other documents or matters requested by Borrower; including, without limitation, reasonable attorneys' fees in any action for the foreclosure of the Building Loan Mortgage and the collection of the Building Loan, and all such fees incurred in connection with any bankruptcy or insolvency proceeding; and Borrower will, within thirty (30) days after demand by Agent (together with reasonable evidence of incurrence of such expenses), reimburse Agent for all such reasonable expenses which have been incurred. All amounts incurred or paid by Agent under this Section 4.1.20, together with interest thereon at the Default Rate from the due date until paid by Borrower, shall be added to the Debt and shall be secured by the lien of the Building Loan Mortgage.

4.1.21 COMPLETION OF CONSTRUCTION. All work on the Improvements shall be completed substantially in accordance with the Plans and Specifications in a good and workmanlike manner and shall be free of any material defects. Borrower shall diligently pursue construction of the Base Building Work to completion and obtain a Zero Occupancy Certificate of Occupancy for all but the retail space at the Property (except that Borrower shall not be required to provide a Zero Occupancy Certificate of Occupancy for the Residential Units at the Property if Borrower has instead provided to Agent a temporary certificate of occupancy for at least 50% of the Residential Units at the Property) on or prior to the Initial Maturity Date in substantial accordance with the Plans and Specifications (except for changes in accordance with Section 4.2.13) and in compliance in all material respects with all restrictions, covenants and easements affecting the Property, all applicable Legal Requirements, and all Governmental

Approvals, and with all terms and conditions of this Agreement and the other Loan Documents, free from any liens, claims or assessments (actual or contingent) asserted against the Property for any material, labor or other items furnished in connection therewith; and to pay all sums and to perform such duties as may be necessary to complete such construction of the Base Building Work. Evidence of satisfactory compliance with the foregoing shall be furnished by Borrower to Agent on or before the Initial Maturity Date. Borrower shall also obtain final inspections and sign-offs of all components of the Base Building Work for which inspections are required, to the extent that such inspections and sign-offs can be obtained at that point in the construction process. In addition, Borrower shall diligently pursue and achieve Completion of the Improvements after the Initial Maturity Date.

4.1.22 INSPECTION OF PROPERTY. Borrower shall permit Agent, the Construction Consultant and their respective representatives, to enter upon the Property, inspect the Improvements and all materials to be used in the construction thereof and to examine the Plans and Specifications which are or may be kept at the construction site at all reasonable times (subject to the rights of Tenants) and with reasonable advance notice and will cooperate, and use reasonable efforts to cause the Construction Manager and the Trade Contractors to cooperate with the Construction Consultant to enable him or her to perform his or her functions hereunder.

4.1.23 CONSTRUCTION CONSULTANT. Borrower acknowledges that (i) the Construction Consultant has been retained by Agent to act as a consultant and only as a consultant to Agent in connection with the construction of the Improvements and has no duty to Borrower, (ii) the Construction Consultant shall in no event have any power or authority to give any approval or consent or to do any other act or thing which is binding upon Lenders, (iii) Agent reserves the right to make any and all decisions required to be made by Agent under this Agreement and to give or refrain from giving any and all consents or approvals required to be given by Agent under this Agreement and to accept or not accept any matter or thing required to be accepted by Agent under this Agreement, and without being bound or limited in any manner or under any circumstance whatsoever by any opinion expressed or not expressed, or advice given or not given, or information, certificate or report provided or not provided, by the Construction Consultant with respect thereto, (iv) Agent reserves the right in its sole and absolute discretion to disregard or disagree, in whole or in part, with any opinion expressed, advice given or information, certificate or report furnished or provided by the Construction Consultant to Agent or any other person or party, and (v) Agent reserves the right to replace the Construction Consultant with another construction consultant at any time and without prior notice to or approval by Borrower. Agent hereby advises Borrower that it has advised the Construction Consultant of the restrictions contained in this Section 4.1.23. Agent shall use good faith efforts to cause Construction Consultant to satisfy its responsibilities and perform the services described in Section 4.1.24.

4.1.24 CONSTRUCTION CONSULTANT/DUTIES AND ACCESS. Borrower shall permit Agent to retain the Construction Consultant at the reasonable cost of Borrower to perform the following services on behalf of Agent in accordance with the terms of this Agreement:

(a) To review and advise Agent whether, in the opinion of the Construction Consultant, the Plans and Specifications are satisfactory;

(b) To review Draw Requests and change orders; and

(c) To make periodic inspections (approximately at the date of each Draw Request) for the purpose of assuring that construction of the Improvements to date is in accordance with the Plans and Specifications and to approve Borrower's then current Draw Request as being consistent with Borrower's obligations under this Agreement, including inter alia, an opinion as to Borrower's continued compliance with the provisions of Section 2.9.1(e)(vi).

The fees of the Construction Consultant shall be paid by Borrower within thirty (30) days after billing therefor and expenses incurred by Agent on account thereof shall be reimbursed to Agent within thirty (30) days after request therefor, but neither Agent nor the Construction Consultant shall have any liability to Borrower on account of (i) the services performed by the Construction Consultant, (ii) any neglect or failure on the part of the Construction Consultant to properly perform its services or (iii) any approval by the Construction Consultant of construction of the Improvements. Neither Agent nor the Construction Consultant assumes any obligation to Borrower or any other person concerning the quality of construction of the Improvements or the absence therefrom of defects.

4.1.25 CORRECTION OF DEFECTS. Borrower shall promptly correct all defects in the Improvements or any departure in any material respect from the Plans and Specifications not previously approved by Agent to the extent required hereunder. Borrower agrees that the advance of any proceeds of the Building Loan whether before or after such defects or departures from the Plans and Specifications are discovered by, or brought to the attention of, Agent shall not constitute a waiver of Agent's right to require compliance with this covenant.

4.1.26 BOOKS AND RECORDS. Borrower shall keep and maintain detailed, complete and accurate books, records and accounts reflecting all items of income and expense of Borrower in connection with the Property and the construction of the Improvements and the results of the operation thereof; and, upon the request of Agent, to make such books, records and accounts available to Agent for inspection or independent audit at reasonable times upon reasonable advance notice to Borrower. Any independent audit conducted hereunder shall be at Agent's expense unless such audit shall uncover a material error in statements previously delivered to Agent, in which case Borrower shall pay all reasonable costs related thereto. Agent hereby agrees to keep, and to use reasonable efforts to cause its agents, employees and consultants to keep, any information acquired hereby confidential unless already known to the general public or as required by law.

4.1.27 INDEBTEDNESS. Borrower shall duly and promptly pay all Borrower's indebtedness to Lenders according to the terms of this Agreement, the Building Loan Note and the other Building Loan Documents, and shall incur no other Indebtedness in any form, whether direct, indirect, primary, secondary, or contingent, without Agent's prior written consent, other than such indebtedness contemplated hereunder in connection with constructing and operating the Improvements, the indebtedness created under the Supplemental Loan Documents and Project Loan Documents and the Indebtedness permitted pursuant to Section 4.2.14, which other Indebtedness in each case is paid on a timely basis.

4.1.28 MAINTAIN EXISTENCE. Borrower shall maintain its existence in good standing and make no changes in its organization, except to the extent permitted under Article VIII; shall not convey, transfer, or lease any substantial part of its property, assets, or business to any other person or entity except as provided under Article VIII; shall not engage in any business enterprise other than as provided in this Agreement; not to merge or consolidate with or into any other firm or corporation or enter into any partnership or joint venture with any other person or entity; and shall not make any loans or advances to any other person or entity, except extensions of credit in the normal course of business and as otherwise permitted pursuant to Section 3.1.24(v).

4.1.29 BONDS. Borrower shall furnish to Agent and maintain such Payment and Performance Bonds with respect to the obligations of each Major Trade Contractor to the extent required hereunder. In the event that Borrower is required to present the original counterparts of such Bonds in connection with making a claim against the surety thereunder, then Agent shall return the Bonds to Borrower to the extent necessary for such limited purpose, except that if a material Default or an Event of Default exists Agent will present the Bonds, at Borrower's request, however, any and all proceeds that would have been payable to Borrower under the Bonds upon such presentment must be paid to Agent and such proceeds shall be deemed to be Funds under Article VI.

4.1.30 FINANCING PUBLICITY. Subject to the prior reasonable approval of Borrower, Borrower shall permit Agent and Lenders to obtain publicity in connection with the construction of the Improvements through press releases and participation in such events as ground breaking and opening ceremonies, and to give Agent and Lenders ample advance notice of such events and to give Agent and Lenders such assistance as reasonably possible in connection with obtaining such publicity as Agent and Lenders may reasonably request and Borrower may reasonably approve.

4.1.31 EASEMENTS AND RESTRICTIONS; ZONING. Borrower shall submit to Agent for Agent's approval (not to be unreasonably withheld or delayed) prior to the execution thereof by Borrower all proposed easements, restrictions, covenants, permits, licenses, and other instruments which would affect the title to the Property, accompanied by a Survey showing the exact proposed location thereof and such other information as Agent shall reasonably require. Except as permitted under Article VIII, Borrower shall not subject the Property or any part thereof to any easement, restriction or covenant (including any restriction or exclusive use provision in any lease or other occupancy agreement) without the prior approval of Agent (not to be unreasonably withheld or delayed). Agent agrees that it will subordinate the Lien of the Mortgage to any easement, restriction or covenant approved by Agent. With respect to any and all existing easements, restrictions, covenants or operating agreements which benefit or burden the Property and any easement, restriction or covenant to which the Property may hereafter be subjected in accordance with the provisions hereof, Borrower shall: (a) observe and perform the obligations imposed upon Borrower or the Property; (b) not alter, modify or change the same without the prior approval of Agent (not to be unreasonably withheld or delayed); (c) enforce its rights thereunder in a commercially reasonable manner so as to preserve for the benefit of the Property the full benefits of the same; and (d) deliver to Agent a copy of any notice of default or other material notice received by Borrower in respect of the same promptly after Borrower's receipt of such notice.

4.1.32 LABORERS, SUBCONTRACTORS AND MATERIALMEN. Borrower shall notify Agent immediately, and in writing, if Borrower receives any default notice, notice of lien or demand for past due payment, written or oral, from any laborer, subcontractor or materialmen. Borrower will also furnish to Agent at any time and from time to time upon reasonable demand by Agent, lien waivers in form reasonably satisfactory to Agent bearing a then current date from the Trade Contractors covering work performed which was the basis of the immediately prior Advance (subject, however, to Section 2.9.1(e)(xiv)).

4.1.33 OWNERSHIP OF PERSONALTY. Borrower shall furnish to Agent, if Agent so requests, photocopies of the fully executed contracts, bills of sale, receipted vouchers and agreements, or any of them, under which Borrower claims title to the materials, articles, fixtures and other personal property used or to be used in the construction or operation of the Improvements.

4.1.34 COMPLY WITH OTHER BUILDING LOAN DOCUMENTS. Borrower shall perform all of Borrower's obligations under the Building Loan Note and the other Building Loan Documents.

4.1.35 PURCHASE OF MATERIAL UNDER CONDITIONAL SALE CONTRACT. Borrower shall not permit any materials, equipment, fixtures or any other part of the Improvements to be purchased or installed under any security agreement or other arrangements wherein the seller reserves or purports to reserve the right to remove or to repossess any such items or to consider them personal property after their incorporation in the Improvements, unless authorized by Agent in writing and in advance or otherwise permitted in accordance with Section 4.2.14.

4.1.36 FURTHER ASSURANCE OF TITLE. Borrower shall further assure title as follows: If at any time Agent has reason to believe in its reasonable opinion that any Advance is not secured or will or may not be secured by the Building Loan Mortgage as a first priority lien or security interest on the Improvements (subject only to the Permitted Encumbrances), then Borrower shall, within ten (10) days after written notice from Agent, do all things and matters necessary (including execution and delivery to Agent of all further documents and performance of all other acts which Agent reasonably deems necessary or appropriate) to assure to the reasonable satisfaction of Agent that any Advance previously made hereunder or to be made hereunder is secured or will be secured by the Building Loan Mortgage as a first priority lien or security interest with respect to the Improvements (subject only to the Permitted Encumbrances). Lenders, at Agent's option, may decline to make further Advances hereunder until Agent has received such assurance. The Title Company, in its capacity as subrogee to Lenders' rights against Borrower, shall not have the right to enforce this Section 4.1.36 against Borrower.

4.1.37 CONDOMINIUM. The provisions of this Section 4.1.37 shall apply in the event that Borrower elects to convert the Property to a condominium form of ownership:

(a) Borrower shall submit to Agent an offering plan, which offering plan and all documents contained therein have been reasonably approved by Agent (the "OFFERING PLAN"), for the establishment of condominium ownership of the Property, prior to Borrower's submitting said Offering Plan to the New York State Department of Law for review and acceptance for filing. To the extent permitted by applicable Legal Requirements, Borrower shall include in the

Offering Plan and/or other appropriate Condominium Documents a provision that for the purpose of Section 339-cc of the New York Real Property Law, the specified percentage of unit owners means such percentage in common interest in the aggregate and not such percentage in number of units in the aggregate. Borrower shall, subject to Agent's prior approval (not to be unreasonably withheld or delayed), promptly submit all amendments and supplements to such plan required by Legal Requirements to the New York State Department of Law. Borrower promptly shall obtain acceptance for filing of the Offering Plan, as so amended or supplemented, by the New York State Department of Law. If Agent disapproves an amendment, it shall furnish Borrower with a written statement setting forth the reasons for disapproval. Notwithstanding the foregoing, Agent's consent shall not be required for price change amendments that increase prices or for immaterial or ministerial amendments that are otherwise required by the Department of Law or amendments required to conform to changes in the Condominium Act (including any regulations promulgated thereunder).

(b) The form of Qualifying Contract contained in the Offering Plan shall be subject to Agent's approval, which shall not be unreasonably withheld or delayed. If permitted by applicable Legal Requirements, each Qualifying Contract shall provide that it may be terminated by Borrower in the event that a material Casualty (including any Casualty that affects 25% or more of the Building) shall occur prior to the closing of title thereunder.

(c) Borrower shall cause the Condominium Documents to comply with all applicable Legal Requirements.

(d) Borrower shall comply with all Legal Requirements in connection with the offering and sale of Residential Units.

(e) Borrower shall hold or shall cause to be held any deposits in connection with any Qualifying Contract in an account maintained with the escrow agent set forth in the Offering Plan, or another escrow agent reasonably acceptable to Agent, and shall not withdraw such deposits for any purpose except as expressly provided in the applicable Qualifying Contract, or in accordance with Legal Requirements or the Condominium Documents. Borrower shall assign its rights therein to Agent pursuant to the Conditional Assignment of Condominium Documents. If permitted under applicable law, Borrower shall designate Agent as the depository bank with respect to escrow agent's holding of such deposits, provided that Agent pays a market rate of interest on such deposits. Without limiting the foregoing, Borrower shall not permit the proceeds of any such deposits to be used to pay for construction or other costs related to the Improvements, except to the extent that such deposit was expressly agreed to be used for additional custom work under the applicable Qualifying Contract subject to compliance with Legal Requirements.

(f) If the purchaser under any Qualifying Contract shall default in performance of its obligations thereunder beyond all applicable grace, notice and cure periods and Borrower shall retain the deposit thereunder as liquidated damages, Borrower shall give prompt notice to Agent of such retention and shall prepay the Loan in an amount equal to such deposit (net of collection and brokerage expenses, if any); provided that until such time as Borrower shall have retained the first \$140,000,000 of Required Release Prices in accordance with Section 4.1.37(j)(i)(H), Borrower shall have the right to retain such deposits to be applied against

Borrower's right to retain the first \$140,000,000 of Required Release Prices as hereinafter provided. Borrower shall be required to retain any such deposit in respect of any Qualifying Contract that was necessary in order to satisfy the conditions set forth in Section 2.1.5(b)(ix) or Section 2.1.5(c)(iv).

(g) Without the prior written consent of Agent (which shall not be unreasonably withheld), Borrower shall not:

(i) prior to a Condominium Conversion, amend, modify, supplement or terminate any of the Condominium Documents, other than an amendment, modification or supplement which merely increases the price of any Residential Unit or that is otherwise required by the Department of Law or amendments required to conform to changes in the Condominium Act (including any regulations promulgated thereunder), but, in any case, Agent shall be given notice of any such amendment, modification or supplement and shall not vote its shares to do any of the foregoing after a Condominium Conversion without such consent and notice;

(ii) sell or offer for sale any Residential Units except in compliance with the Condominium Documents and all applicable Legal Requirements;

(iii) enter into any contract for the sale of any Residential Unit unless (A) the same is a bona fide, unconditional (subject to clause (G) of this paragraph) contract in the form included in the Offering Plan with such changes to such form as may be negotiated by Borrower in good faith and on an arm's length basis, provided that such changes shall not contravene any of the requirements provided for in this Agreement for such contract to qualify as a Qualifying Contract or otherwise materially adversely affect Agent or Lenders, (B) the purchaser thereunder is not an affiliate of Borrower except as otherwise permitted under Section 4.1.37(g)(vi), (C) the sale price is greater than or equal to the Minimum Release Price, (D) the sale price is payable in full by bank or certified check or wire transfer of immediately available funds at closing, (E) the Offering Plan has been accepted for filing with the New York State Department of Law, (F) the purchaser under be required to deposit with the escrow agent under the Offering Plan a cash amount equal to not less than ten percent (10%) of the purchase price (or a letter of credit in such amount) and such contract shall provide that such amount shall be retained by Borrower as liquidated damages upon default beyond all applicable grace, notice and cure periods by the purchaser of its purchase obligation under such contract and (G) such contract shall be subject to no conditions (other than financing contingencies and completion of construction) upon the purchaser's obligation (except for customary title conditions and Legal Requirements, including rights of rescission required by law);

(iv) (A) amend, modify or supplement any Qualifying Contract in any material manner or in any manner which would materially adversely affect Borrower, Agent, Lenders or the Property, or terminate any Qualifying Contract (except for default on the part of a purchaser thereto but with prompt notice to Agent), or permit any of the foregoing actions to be taken or (B) release any deposit under any Qualifying Contract, except in each case, in accordance with the terms of such Qualifying Contract and this Agreement or as otherwise required by Legal Requirements or the Department of Law or

amendments required to conform to changes in the Condominium Act (including any regulations promulgated thereunder);

(v) declare the Offering Plan effective before Borrower has entered into Qualifying Contracts for at least 25% percent of the Residential Units (which, for purposes hereof, shall not include contracts of sale with Vornado or any other Affiliate of Borrower unless Agent shall have consented thereto) or abandon or materially change its plan for submission of the Property to the condominium form of ownership except that to the extent permitted by Legal Requirements, if requested to by Agent, Borrower shall terminate, rescind and take such steps as shall be necessary to unwind the Condominium Conversion with respect to the Property if prior to the sale of the first Residential Unit, a Casualty occurs, the Bloomberg Lease terminates by reason of such Casualty and pursuant to the Condominium Act the Building is nevertheless required to be restored; or

(vi) enter into any contract for sale of any Residential Units to Vornado or any other Affiliate of Borrower unless (A) such contract would otherwise qualify as a Qualifying Contract, and (B) such contracts are on market arms-length terms; except that (I) for the purposes of Sections 2.1.5(b) and (c) not more than 10% of the Qualifying Contracts or Required Release Prices shall be or relate to contracts with Vornado or any other Affiliate of Borrower or Vornado and (II) the requirements of clause (B) shall not apply with respect to up to 10% of the Residential Units provided the Minimum Release Price for any such affiliated contract that is not on market arms-length terms shall equal \$800 per square foot of space in the applicable Residential Unit.

(h) Agent shall, on Borrower's written request, contemporaneously with Agent's release of the first Residential Unit from the liens of the Mortgage, subordinate the lien of the Building Loan Mortgage, Supplemental Loan Mortgage and the Project Loan Mortgage to the declaration of condominium for the Land and Improvements and shall execute the appropriate instruments (reasonably satisfactory in all respects to Agent) in recordable form to effect such subordination, upon the satisfaction of the conditions enumerated below (so that after giving effect to the filing of such subordination, the Mortgage constitutes a lien only on the applicable Residential Units and the corresponding interests in the common elements). Notwithstanding the foregoing, Agent shall subordinate the liens of the Mortgage to such declaration of condominium at such earlier time, if any, that Borrower is required to file the declaration of condominium pursuant to the Bloomberg Lease, provided that each of the "Commencement Dates" under (and as defined in) the Bloomberg Lease shall already have occurred and provided further that Borrower agrees that until the sale of the first Residential Unit, Agent's and Lenders' rights under this Agreement, including, without limitation, under Article V of this Agreement shall not be impaired by such earlier filing.

(i) Agent shall have received and approved (not to be unreasonably withheld) in all respects the Condominium Documents (to the extent not previously approved in writing by Agent) which shall be in proper form for recording or filing, as necessary, in the appropriate offices;

(ii) the title policy or policies insuring the Building Loan Mortgage, Supplemental Loan Mortgage and the Project Loan Mortgage shall have been endorsed to

provide affirmative insurance, to the effect that the Property constitutes a condominium validly created under the Condominium Act and Agent shall have received such endorsement' from the Title Company;

(iii) Borrower shall have duly executed and delivered, or caused to be duly executed and delivered, to Agent (a) a conditional assignment of Borrower's or the declarant's (if the declarant under the applicable Condominium Documents is other than Borrower) rights under the applicable Condominium Documents ("CONDITIONAL ASSIGNMENT OF CONDOMINIUM DOCUMENTS") in the form of SCHEDULE XXIV, (b) conditional resignations of the officers and members of the board of directors of the applicable condominium association who have been appointed or elected by Borrower or any Affiliate of Borrower in the form of SCHEDULE XXV and (c) a letter from the person (if other than Agent) who, pursuant to the Offering Plan, shall hold the deposits in escrow under any contract of sale of any Residential Units in the form of SCHEDULE XXVI;

(iv) Agent shall have received an opinion (upon which Agent and Lenders and their respective successors and assigns may rely) from counsel reasonably satisfactory to Agent to the effect that (A) the Condominium Documents satisfy all applicable requirements of Governmental Authorities and have been duly executed, (B) all requirements of any applicable statute, rule or ordinance relating to the formation of the condominium have been duly satisfied and, assuming the recording of the declaration of condominium and the subordination of the Building Loan Mortgage, Supplemental Loan Mortgage and Project Loan Mortgage to the declaration of condominium, the condominium has been duly and validly created and is existing in full force and effect and no filing, registration or other compliance with any federal or state securities law or other Legal Requirement will be required in connection with the sale of Residential Units in New York State, or if such filing is necessary, that the applicable Legal Requirement governing the same has been fully complied with and (C) the assignment, resignations and agreements referred to in clause (iii) of this subsection have each been duly authorized, executed and delivered by the respective parties thereto and are enforceable against said parties in accordance with their respective terms (the form of opinion attached hereto as SCHEDULE XXIX is acceptable to Agent);

(v) the Offering Plan for the condominium (A) has been accepted by all Governmental Authorities whose acceptance is required under any Legal Requirements, and (B) has become effective; and

(vi) the condominium association which shall be created by the Condominium Documents shall have furnished to Agent, at no cost or expense to Agent, a blanket fire insurance policy with extended coverage naming Agent, said condominium association, and purchasers of each Residential Unit, as their respective interests may appear, as the insureds, covering all of the Improvements for the full replacement value (other than foundations); said fire insurance shall at all times be an amount equal to 100% of the insurable value of the Improvements (other than foundations) and shall otherwise comply with the applicable conditions contained in Article V of this Agreement and the other Building Loan Documents.

(i) Intentionally omitted.

(j) (i) Provided that no Event of Default exists under this Agreement, Agent shall release one or more Residential Units from the lien of the Building Loan Mortgage, Supplemental Loan Mortgage and Project Loan Mortgage and all other Loan Documents securing the indebtedness evidenced by the Building Loan Note, the Supplemental Loan Note and the Project Loan Note (and from any UCC-1 financing statements executed by Borrower in favor of Agent covering such Units) and deliver to Borrower a duly executed release(s) in recordable form, a UCC-3 release of security interest and other such documents as may be reasonably required to release the Residential Unit(s) from the lien and/or security interest of the Building Loan Documents, Supplemental Loan Documents and Project Loan Documents upon satisfaction of each of the following conditions:

(A) Borrower shall have fully complied with the provisions of subsections (a) through (d) of this Section 4.1.37;

(B) Borrower shall have entered into Qualifying Contracts (under which any and all financing contingencies have expired) for the sale of not less than 20% of the net square footage of all Residential Units (as such square footage is described in the Offering Plan);

(C) Agent shall have received a copy of an executed Qualifying Contract with reference to such Unit;

(D) Agent shall have received not less than five (5) Business Days prior written notice of the proposed release accompanied by a pro forma settlement statement signed by Borrower and reflecting the Net Sales Proceeds from the sale of such Unit and the Required Release Price;

(E) contemporaneously with such release there shall be a sale of such Unit pursuant to an approved form of Qualifying Contract;

(F) the Residential Unit to be released will constitute one or more tax lots separate and distinct from the tax lot or lots applicable to the remaining portion of the Property encumbered by the liens of the Mortgage;

(G) neither the release from the liens of the Mortgage nor the conveyance to the transferee of such Unit will violate any applicable zoning or subdivision laws;

(H) Agent shall have received in cash or by wire transfer of immediately available funds or by certified or bank check payable to Agent the greatest of (x) the Minimum Release Price for such Unit, (y) ninety percent (90%) of the Gross Sales Proceeds for such Unit or (z) the Net Sales Proceeds (the amount described in clause (x), (y) or (z), as applicable, in respect of each Residential Unit being the "REQUIRED RELEASE PRICE"), provided that so long as no material Default and no

Event of Default shall have occurred and be continuing and provided further that at the time in question the ratio of (I) Proforma NOI to (II) the sum of (1) the outstanding principal balance of the Loan as of the first day of the First Extension Period, and (2) the portion of the Loan that Lenders remain obligated to fund (assuming that Borrower satisfies the conditions precedent thereto), equals or exceeds 13%, Borrower shall be entitled to receive and retain the Required Release Prices until Borrower shall have received an aggregate amount equal to \$140,000,000 less the aggregate amount of any and all contract deposits retained by Borrower as liquidated damages pursuant to Section 4.1.37(f); and

(I) Agent shall have received such other documents, certificates, instruments, opinions or assurances as Agent may reasonably request.

(ii) Required Release Prices received by Agent under this Section 4.1.37 shall be applied in accordance with subsection (iii) below and shall not be deemed a payment until such time.

(iii) Amounts received by Agent under this subsection shall be applied on the date received or, at Agent's option, on the date immediately succeeding the expiration of the then current Interest Period (without penalty other than Additional Costs) first to the payment of principal outstanding under the Project Loan Documents, second to the payment of principal outstanding under the Supplemental Loan Documents and third to the payment of principal outstanding under Building Loan Documents. In the event Agent shall have elected not to apply such amounts on the date received, such amounts shall be held by Agent in an interest bearing reserve account and all interest earned therein shall be paid to Borrower. Borrower shall have the option, from and after the Condominium Conversion, of selecting in its Rate Request, a seven (7) day LIBOR Loan and, in such event, the amounts received under this clause (iii) shall be applied in the manner hereinabove provided on the day immediately succeeding the then expiring Interest Period.

4.1.38 TAX BENEFITS. (a) Borrower shall maintain (subject to matters beyond its control such as changes in the applicable laws eliminating the benefits provided) pursuant to Section 421-a of the New York Real Property Tax Law, Chapter 6, Title 28 of the Rules of the City of New York, and all other applicable Legal Requirements, a partial exemption of the residential portion of the Improvements from New York real estate taxes for a ten (10) year period commencing after the completion of construction of the Improvements as described in Section 6-02(d)(1) of the Rules of the City of New York (the "421-A TAX BENEFITS"), as contemplated in the 421-a Negotiable Certificates and the written agreement pursuant to which the same were issued. In connection therewith, Borrower shall construct the Improvements to be in compliance with the Legal Requirements applicable to the 421-a Tax Benefits.

(b) Borrower shall not assign any of the 421-a Negotiable Certificates, or surrender, cancel, modify in any material respect, or transfer, or permit the surrender, cancellation, modification in any material respect, revocation or transfer of, the 421-a Tax Benefits, provided that Borrower shall have the right to sell a portion the 421-a Negotiable

Certificates which exceed the number of 421-a Negotiable Certificates that Borrower needs in order to maintain a partial exemption of the entire residential portion of the Improvements from New York real estate taxes for a ten (10) year period commencing after the completion of the Improvements.

(c) On or before the Closing Date, Residential Owner shall deliver to Agent the 421-a Negotiable Certificates together with a duly executed assignment in blank of the same in form and substance reasonably satisfactory to Agent. In the event that after the 421-a Negotiable Certificates have been delivered to Agent pursuant to the terms hereof, Borrower shall require possession of the Certificates in order to effectuate the purposes for which the same are intended, Agent shall redeliver the Certificates to Borrower's counsel pursuant to escrow instructions reasonably satisfactory to Agent in which such escrow holder recognizes Agents and (subject also to Section 4.1.38) Lenders interests in such Certificates and agrees to hold the same in accordance with said instructions for the benefit of Agent and Lenders.

(d) Borrower shall notify Agent of the modification in any material respect, revocation of or failure to maintain any 421-a Negotiable Certificate or any of the 421-a Tax Benefits within five (5) Business Days after Borrower obtains knowledge thereof. Borrower's notice to Agent shall include a statement setting forth details of the occurrence referred to therein and stating what action Borrower proposes to take with respect thereto. Borrower shall deliver to Agent any material notices received or sent by Borrower or the City of New York or any other party with respect to any 421-a Negotiable Certificate or any of the 421-a Tax Benefits within five (5) Business Days after Borrower receives or concurrently with Borrower's sending the same.

4.1.39 INCLUSIONARY HOUSING PROGRAM. (a) Borrower shall use good faith reasonable efforts to obtain and maintain Additional Development Rights in order to include the Bonus Area within the Improvements. Without limiting the foregoing, Borrower shall use good faith reasonable efforts to obtain the Inclusionary Air Rights Agreement by the point in time when Borrower is ready to begin pouring the concrete for the Residential Component of the Improvements, and, thereafter to maintain the same in full force and effect throughout the term of the Loan.

(b) Borrower shall not assign (other than to Agent) either the Inclusionary Air Rights Agreement or any Certificate of Eligibility for Zoning Bonus, or surrender, cancel, modify in any material respect, or waive any of its material rights under, or transfer, or permit the surrender, cancellation, modification in any material respect, revocation or transfer of, the Inclusionary Air Rights Agreement or any Certificate of Eligibility for Zoning Bonus, without Agent's prior written consent. Notwithstanding the foregoing, Borrower shall have the right to sell a portion of the existing Certificates of Eligibility for Zoning Bonus to the extent (and simultaneously or after) it acquires Certificates of Eligibility for Zoning Bonus in excess of the total Bonus Area required for the Improvements.

(c) Borrower shall notify Agent of (i) any material default by any party, including Borrower, under the Inclusionary Air Rights Agreement, (ii) the termination or cancellation of the Inclusionary Air Rights Agreement, (iii) the modification in any material respect, revocation of or failure to timely obtain and maintain any Certificate of Eligibility of Zoning Bonus

necessary to obtain the benefits of the Bonus Area, (iv) any material delay in the construction or completion of the Off-Site Property, and (v) any assignment of the Inclusionary Air Rights Agreement by the Off-Site Developer, in each case within five (5) Business Days after Borrower obtains knowledge thereof. Borrower's notice to Agent shall include a statement setting forth details of the occurrence referred to therein and stating what action Borrower proposes to take with respect thereto. Borrower shall deliver to Agent any material notices received or sent by Borrower, Off-Site Developer, the City of New York, HPD or any other party with respect to the foregoing within five (5) Business Days after Borrower receives or concurrently with Borrower's sending the same.

(d) Borrower shall deliver to Agent originals of the existing Certificates of Eligibility for Zoning Bonus for the Existing Development Rights affecting the Property on or before the Closing Date and shall deliver the original of the additional Certificate(s) of Eligibility for Zoning Bonus for the Additional Development Rights to Agent promptly after obtaining the same. Borrower shall deliver to Agent copies of Borrower's (and to the extent Borrower receives same from Off-Site Developer, Off-Site Developer's) applications for any certificates of eligibility and all other material documents and notices, delivered to HPD in connection with the HPD Off-Site Agreement promptly after sending them to HPD. In the event that after the Certificates of Eligibility for Zoning Bonus have been delivered to Agent pursuant to the terms hereof, Borrower shall require possession of the Certificates in order to effectuate the purposes for which the same are intended, Agent shall redeliver the Certificates to Borrower's counsel pursuant to escrow instructions reasonably satisfactory to Agent in which (subject also to Section 4.1.39(b)) such escrow holder recognizes Agents and Lenders interests in such Certificates and agrees to hold the same in accordance with said instructions for the benefit of Agent and Lenders.

(e) Upon reasonable request from time to time, Borrower shall deliver to Agent a progress report with regard to the construction of the lower income housing development by the Off-Site Developer on the Off-Site Property pursuant to the Inclusionary Air Rights Agreement.

4.1.40 ERISA. (a) Borrower will not become an "employee benefit plan," as defined in Section 3(3) of ERISA, subject to Title I of ERISA, (b) none of the assets of Borrower will constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101, (c) Borrower will not become a "governmental plan" within the meaning of Section 3(32) of ERISA and (d) transactions by or with Borrower will not be subject to state statutes regulating investment of, and fiduciary obligations with respect to, governmental plans.

4.1.41 ZLDA. Borrower shall comply with all of its obligations under the terms and provisions of the ZLDA. Borrower shall not modify or amend the ZLDA without the prior approval of Agent, which shall not be unreasonably withheld, and shall not terminate the ZLDA without the prior approval of Agent.

4.1.42 SUBWAY AGREEMENT. Borrower shall comply with all of its obligations under the terms and provisions of the Subway Agreement. Borrower shall not modify or amend the Subway Agreement without the prior approval of Agent, which shall not be unreasonably withheld, and shall not terminate the Subway Agreement without the prior approval of Agent.

4.1.43 REA. Borrower shall, at Agent's request, provided that the Condominium Conversion shall not have already occurred, execute, deliver and record a Declaration of Rights and Reciprocal Easements (as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms hereof, the "REA"), in form and substance satisfactory to Agent, within thirty (30) days after an Event of Default shall have occurred relating to a monetary Default or any other material Default including, without limitation, failure of Borrower to proceed with the construction of the Improvements in accordance with the terms of this Agreement. The REA shall provide for, inter alia, (i) cross easements between the two parcels comprising the Property, (ii) allocation of responsibilities for construction, maintenance, support and operations, including, without limitation, utilities, for such parcels and the improvements to be located thereon, as between such parcels and the respective owner of each such parcel, (iii) the respective rights and obligations of the owners of such parcels to build and restore the Improvements, (iv) the respective rights and obligations of the owners of such parcels in the event of a Casualty or Condemnation, including, without limitation, the obligations to restore and the rights to any Net Proceeds or Award, and (v) the rights and remedies of an owner to perform the obligations of the other owner if the other owner fails to do so, including the rights to lien the other owner's property. In the event that the REA shall not have been duly executed and delivered and properly recorded in the City Register's Office, New York County, prior to the commencement of a foreclosure proceeding against the Property or prior to the filing of any bankruptcy proceeding (voluntary or involuntary) against either Commercial Owner or Residential Owner, Borrower agrees that it will not adopt a foreclosure or bankruptcy strategy or interpose defenses (including, without limitation, any defenses that the assets of Borrower must be marshaled) which would oppose or contravene or otherwise interfere with the foreclosure of both parcels comprising the Property simultaneously in a single sale as though both such parcels were but a single parcel owned by one owner. Borrower acknowledges in connection with the foregoing that Agent and Lenders (A) have entered into this Agreement and the other Loan Agreements and Lenders have agreed to make the Loan in reliance on their ability to treat the Property for collateral purposes as though it were a single parcel, (B) would not have made a loan against either parcel independently of the other and (C) are permitting the continued subdivision of the Property as two parcels with separate ownership in each Borrower merely to accommodate Borrower's tax and organizational needs. In furtherance of the foregoing, and in consideration for Lenders agreeing to make the Loan, each Borrower agrees to include a provision in its Organizational Documents that if either Borrower is involved in a bankruptcy proceeding (voluntary or involuntary), at the request of Agent, the other Borrower will file a voluntary petition in bankruptcy and support Agent in seeking on behalf of Lenders or will itself seek on its own behalf procedural consolidation of both proceedings, and such provision may not be amended or modified without the consent of Agent (and will expressly so provide).

SECTION 4.2 BORROWER NEGATIVE COVENANTS.

Borrower covenants and agrees that:

4.2.1 DUE ON SALE AND ENCUMBRANCE; TRANSFERS OF INTERESTS.

Borrower shall not permit or suffer any Transfer, other than a Permitted Transfer, without the prior written consent of Agent.

4.2.2 LIENS. Borrower shall not create, incur, assume or suffer to exist any Lien on any portion of the Property except for Permitted Encumbrances or on any of the Cash Collateral (except for the Liens of the Loan Documents) or on any Qualifying Contract (except for the Liens of the Loan Documents) or on any Qualifying Contract (except for the Liens of the Loan Documents).

4.2.3 DISSOLUTION. Borrower shall not engage in any dissolution, liquidation or consolidation or merger with or into any other business entity, or transfer, lease or sell, in one transaction or any combination of transactions, all or substantially all of the property or assets of Borrower except in each case to the extent expressly permitted by the Building Loan Documents.

4.2.4 CHANGE IN BUSINESS. Borrower shall not enter into any line of business other than the ownership, management, construction, development and operation of the Property.

4.2.5 DEBT CANCELLATION. Borrower shall not cancel or otherwise forgive or release any claim or debt (other than termination of Leases in accordance herewith) owed to Borrower by any Person, except for adequate consideration and in the ordinary course of Borrower's business; provided, however, that prior to delivery of the First Extension Notice, if the purchaser under any Qualifying Contract shall default in performance of its obligations thereunder beyond all applicable grace, notice and cure periods, Borrower may release the purchaser from any obligations thereunder and return the contract deposit to such purchaser without the prior reasonable approval of Agent and such contract shall not be included as a Qualifying Contract for any purposes hereunder. Thereafter, during any Extension Period if the purchaser under any Qualifying Contract shall default in the performance of its obligations thereunder beyond any applicable grace, notice and cure periods, Borrower may release the purchaser from any obligations thereunder and return the contract deposit to such purchaser without the prior approval of Agent unless such Qualifying Contract was included in the determination (and still is necessary to be included in such determination) of whether Borrower qualified for an extension of the term of the Loan pursuant to Section 2.1.5, in which case, Borrower may release the purchaser under such Qualifying Contract from any obligations thereunder and return the contract deposit to such purchaser without the prior reasonable approval of Agent only if Borrower shall have entered into a new Qualifying Contract for the Residential Unit in question.

4.2.6 AFFILIATE TRANSACTIONS. Borrower shall not enter into, or be a party to, any transaction with an Affiliate of Borrower or any of the constituent members of Borrower except in the ordinary course of business and on terms which are fully disclosed to Agent in advance and are no less favorable to Borrower or such Affiliate than would be obtained in a comparable arm's-length transaction with an unrelated third party. Agent acknowledges that the Affiliate Contracts listed on SCHEDULE XXII satisfy the foregoing requirements of this Section 4.2.6. Borrower shall not amend or permit the amendment of any Affiliate Contracts without the prior consent of Agent except on terms which are fully disclosed to Agent in advance and that are no less favorable to Borrower or such Affiliate than would be obtained in a comparable arm's-length transaction with an unrelated third party.

4.2.7 ZONING. Borrower shall not initiate or consent to any zoning reclassification of any portion of the Property or seek any variance under any existing zoning

ordinance or use or permit the use of any portion of the Property in any manner that could result in such use becoming a non-conforming use under any zoning ordinance or any other applicable land use law, rule or regulation, without the prior consent of Agent. Borrower will promptly notify Agent of any anticipated or proposed change in the zoning for the Property or any portion thereof or any other property with respect to which a change in zoning would affect the zoning or Borrower's use and enjoyment of the Property, or any part thereof, promptly upon its learning of any such anticipated or proposed change. Agent shall have the right to participate (at Borrower's reasonable cost and expense) in any and all proceedings, judicial, administrative or otherwise, with respect to or in any way affecting the Property, including, without limitation, zoning, environmental and other matters using counsel of Agent's choosing.

4.2.8 ASSETS. Borrower shall not purchase or own any property other than (i) the Property, (ii) the proceeds of the Property or the Loans, (iii) the Cash Collateral and (iv) incidental personal property or contract rights necessary for the ownership, construction, development, management or operation of the Property.

4.2.9 NO JOINT ASSESSMENT. Borrower shall not suffer, permit or initiate the joint assessment of the Property (i) with any other real property constituting a tax lot separate from the Property, and (ii) 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 the Property.

4.2.10 PRINCIPAL PLACE OF BUSINESS. Borrower shall not change its chief executive office or chief place of business or its jurisdiction of organization as set forth on SCHEDULE XIX without first giving Agent thirty (30) days' prior notice.

4.2.11 ERISA. (a) Intentionally omitted.

(b) Borrower shall deliver to Agent such certifications or other evidence from time to time throughout the term of the Loan, as requested by Agent in its sole reasonable discretion, that (A) Borrower is not and will not be an "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, or a "governmental plan" within the meaning of Section 3(32) of ERISA; (B) Borrower is not subject to state statutes regulating investments and fiduciary obligations with respect to governmental plans; and (C) one or more of the following circumstances is true:

(i) Equity interests in Borrower are publicly offered securities, within the meaning of 29 C.F.R. Section 2510.3-101(b)(2);

(ii) Less than twenty-five percent (25%) of each outstanding class of equity interests in Borrower are held by "benefit plan investors" within the meaning of 29 C.F.R. Section 2510.3-101(f)(2); or

(iii) Borrower qualifies as an "operating company" or a "real estate operating company" within the meaning of 29 C.F.R. Section 2510.3-101(c) or (e).

4.2.12 NO DISTRIBUTIONS. During the Extension Periods, Borrower may make distributions or other disbursements to its shareholders, partners or members or Persons owned

by or related to any of its shareholders, partners or members provided no Event of Default has occurred and is then continuing and, provided, however, that no such distribution or disbursement may be made during any Cash Trap Period other than of distributable cash already on hand at the commencement of such period that accrued prior to such period and other than of the Required Release Prices that Borrower is entitled to retain pursuant to Section 4.1.37(f) and (j). Borrower will use any and all Rents collected from the Property to pay operating expenses (including, without limitation, real property taxes, insurance premiums, debt service and ground rent (if any)) of the Property.

4.2.13 CHANGE ORDERS. (a) Borrower shall not directly or indirectly, without the prior written consent of Agent (not to be unreasonably withheld if required in order to comply with the Bloomberg Lease) and all Governmental Authorities (to the extent required by law):

(i) modify or supplement the Plans and Specifications (except as provided in paragraph (iii) below or in subsection (c) below) or any permits granted to construct the Improvements in any respect;

(ii) amend, supplement or otherwise modify the Architect's Agreement, or the Construction Manager's Agreement or any Major Trade Contract, except as provided in paragraph (iii) below, (1) to increase the amount payable by Borrower thereunder, (2) to lengthen the time for performance of any party thereto other than Borrower other than in an immaterial respect that will not impact upon the Construction Schedule or (3) in any other way that could adversely affect Agent and the Lenders in any material respect; or

(iii) direct or permit the performance of any work pursuant to any revision (of whatever nature or form) of the Plans and Specifications, or any change order or change bulletin or other instrument or understanding relating to the construction of the Improvements unless:

(A) such change order will not materially change the gross square feet or the net rentable square feet of commercial space to be contained in the Improvements or the net square feet of residential space to be contained in the Improvements, or the basic layout of the Improvements, or involve the use of materials, furniture, fixtures and equipment that will not be at least equal in quality to the materials, furniture, fixtures and equipment originally specified in or required by the approved Plans and Specifications; and

(B) such change order (excluding any change order that Bloomberg has the right to request under the Bloomberg Lease provided that Bloomberg is required to pay for the same and excluding any change order to the extent of the incremental cost (if any) that Borrower has deposited with Agent as hereinafter provided) shall, in a single instance, result in an increase or decrease in the cost of the Improvements of less than \$5,000,000; however, if the aggregate cost of all such change orders (not previously approved by Agent and Construction Consultant or not required in order to comply with the Bloomberg Lease and required to be paid for by Bloomberg or for which Borrower has deposited such incremental cost as hereinafter provided to the extent of such incremental cost) at any given time, result in an increase or decrease in the cost of the

Improvements of more than \$10,000,000 then any and all subsequent change orders (excluding any change order that Bloomberg has the right to request under the Bloomberg Lease provided that Bloomberg is required to pay for the same and any such change order for which Borrower has deposited such incremental cost as hereinafter provided to the extent of such incremental cost), regardless of amount, must be previously approved by Agent and Construction Consultant as provided in this Section 4.2.13 unless Borrower deposits with Agent the incremental cost of such change order to the extent the same exceeds \$10,000,000. Any amounts deposited by Borrower hereunder in connection with a change order shall be held by Agent in accordance with Section 2.1.11 and shall be disbursed by Agent to pay for such incremental costs subject to the conditions for disbursing or applying sums under such Section 2.1.11. Notwithstanding the foregoing, Borrower shall not be permitted to make any change orders without the consent of the surety under any applicable Bonds to the extent that doing so would impair the sureties obligations thereunder.

(b) Borrower shall submit to Agent and Construction Consultant copies of all change orders entered into with respect to the Improvements within fifteen (15) days after the same are entered into, irrespective of whether the same require the prior approval of Agent and Construction Consultant pursuant to this Agreement. Agent shall use good faith efforts to respond within seven (7) Business Days after Agent's receipt of Borrower's written request for such approval. If Agent fails to respond to such request within seven (7) Business Days, and Borrower sends a second written request by Notice (specially marked in accordance with Section 10.6) together with a copy of such proposed change order, and Agent fails to respond to such second request before the expiration of three (3) Business Days after Agent's receipt of such second request, then such proposed change order shall be deemed consented to or approved on the terms proposed.

(c) Notwithstanding the foregoing, the parties hereto acknowledge that on the Closing Date the Plans and Specifications which will have been delivered and approved by Agent on behalf of Lenders are preliminary in nature as they relate to the Residential Component and the inclusion of an additional floor of residential space and the elimination of the mezzanine retail floor (as depicted on certain architectural drawings dated June 17, 2002 prepared by Borrower's Architect and submitted to Agent) and the impact of such anticipated changes on the shared mechanical and structural systems. Notwithstanding anything to the contrary contained in this Agreement or any other Loan Document, Agent and Lenders shall have no obligation to fund any Advance beyond the Initial Advance unless and until final Plans and Specifications therefor have been submitted to and approved by Agent and the Construction Consultant in accordance with the terms hereof. Agent agrees not to unreasonably withhold its approval to such final Plans and Specifications, provided that the same are consistent with the preliminary Plans and Specifications (with such modifications as are reflected conceptually in the aforesaid architectural drawings) and the scope of work set forth in the guaranteed maximum price attachment to the Construction Management Agreement approved by Agent and Construction Consultant. Borrower shall cause to be delivered to Agent certificates from Borrower's Architect and any other Design Professionals substantially in the form attached hereto as SCHEDULE XVI together with an updated Construction Manager's Certificate substantially in the relevant form attached hereto as SCHEDULE XIV.

4.2.14 INDEBTEDNESS. Borrower will not incur any Indebtedness, secured or unsecured, direct or indirect, absolute or contingent (including guaranteeing any obligation) other than (i) the Total Debt, (ii) after completion of construction of the Base Building Work, unsecured trade payables and operational debt not evidenced by a note that are reasonable for a property in midtown Manhattan that is similar to the Property, (iii) Indebtedness incurred in the financing of equipment and other personal property used on the Property with annual payments not exceeding \$50,000 in the aggregate; provided that any Indebtedness incurred pursuant to subclauses (ii) and (iii) shall be (A) not more than sixty (60) days past due (unless Borrower is contesting the obligation to pay the same in good faith) and (B) incurred in the ordinary course of business, (iv) lease takeover obligations provided that the same have been entered into in accordance with Section 4.1.9, and (v) the "Borrower Reimbursement Obligations" as defined in the Intercreditor and Subordination Agreement provided that the same continues to be held by Mezzanine Lender or any successor thereto that is permitted under Section 8.3 hereof. No Indebtedness other than the Total Debt may be secured (subordinate or pari passu) by the Property.

4.2.15 ORGANIZATIONAL DOCUMENTS. Borrower will not amend, modify or otherwise change its Organizational Documents without the prior consent of Agent in any manner that (i) violates the single purpose covenants set forth in this Section 3.1.24, or (ii) amends, modifies or otherwise changes any provision thereof that by its terms cannot be modified at any time when the Loan is outstanding or by its terms cannot be modified without Agent or the Lenders' consent or that violates the provisions of Section 4.1.43..

V. INSURANCE, CASUALTY AND CONDEMNATION

5.1.1 INSURANCE COVERAGE. (a) Borrower, at its sole cost and expense, shall obtain and maintain, the following insurance Policies:

(i) At all times prior to substantial completion of the Improvements and at any time thereafter during which construction work is being performed at the Property:

(A) Builder's Risk "All Risk" insurance in such amount as Agent shall require but in no event less than one hundred percent (100%) of the replacement cost value of the completed improvements and one hundred (100%) percent of the replacement cost value of all tenant improvements and betterments (other than those that are owned by Tenants and not required to be insured or replaced by Borrower under the applicable Lease). Such policy shall be written on a Builder's Risk Completed Value Form (100% non-reporting) or its equivalent and shall include coverage for loss by collapse, theft, flood, and earth movement. Such insurance Policy shall also include coverage for:

(I) Loss suffered with respect to materials, equipment, 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;

(II) Soft costs, plans, specifications, blueprints and models in connection with any restoration following a casualty (which insurance under this clause (II) may contain a sublimit of \$55,000,000), provided that the requirement to maintain the insurance under this clause (II) shall be waived with respect to the Initial Advance but must be maintained as a condition to Agent's and Lenders' obligations to make any subsequent Advance;

(III) Demolition and increased cost of construction, including, without limitation, increased costs arising out of changes in applicable laws and codes;

(IV) Operation of building laws (which insurance under this clause (IV) may contain a sublimit of \$5,000,000); and

(V) Terrorism or terrorist actions for a minimum limit amount of \$400,000,000 for so long as the Existing Policy is in effect prior to renewal and, thereafter, such amount not to exceed \$490,000,000, whether as part of the new or renewed Builder's Risk policy or as covered by another insurance policy, as can be obtained for an additional premium of \$2,700,000 subject to the provisions of Section 5.1.3(b).

(B) Such insurance Policy shall name Agent as the insured. Such Policy shall also name Agent under a non-contributing New York standard mortgagee clause or an equivalent endorsement satisfactory to the mortgagee for Real Property and as "Loss Payee" as respects Rental Income insurance. If the insurance required under this paragraph is not obtained by blanket insurance Policies, the insurance Policy shall be endorsed to also provide guaranteed building replacement cost to the improvements and all tenant improvements and betterments (except to the extent that the Tenant is required to insure the same under the applicable Lease) in an amount to be subject to the approval of Agent, which approval shall not be unreasonably withheld.

(C) Borrower shall cause the architect and the engineer to obtain and maintain Architect's or Engineer's, as the case may be, Professional Liability insurance during the period commencing on the date of the Architect's Agreement or the Engineer's Agreement, respectively, and expiring no earlier than five (5) years after initial occupancy of the Improvements. Such insurance shall be in an amount equal to at least \$3,000,000 per claim or as otherwise acceptable to Agent. Coverage may be provided through the purchase of an Owners Protective Professional Liability insurance Policy.

(D) Upon and at all times after energization of the Building's electrical and /or mechanical systems, Comprehensive Boiler and Machinery coverage, with a \$20,000,000 minimum limit for all mechanical and electrical equipment against physical damage, rent loss and improvements loss, with exclusions for testing removed. Such coverage shall include, 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).

(E) Commercial General Liability and Hired and Non Owned Vehicle Liability insurance naming Agent as an additional insured with a minimum liability of \$100,000,000 including "Umbrella Liability," per occurrence and in the aggregate per project.

(F) Workers Compensation and Disability insurance as required by law covering Borrower.

(G) Borrower shall cause the Construction Manager and/or General Contractors to obtain and maintain Commercial General Liability coverage, including, without limitation, products and completed operations and Automobile Liability insurance with no less than \$5,000,000 in limits per occurrence or as otherwise acceptable to Agent and in the aggregate per project through primary and umbrella liability coverages. Such insurance shall name Borrower and Agent as additional insureds. Borrower shall also require that all Trade Contractors cause all of its respective subcontractors to maintain similar coverage with limits of no less than \$3,000,000 per occurrence. All Persons engaged in work on the improvements at the Property shall maintain statutory Workers Compensation and Disability insurance in force for all workers on the job.

(H) In lieu of providing the Commercial General and Umbrella liability and Workers Compensation insurance required in paragraphs (E), (F) and (G) above Borrower may provide such insurance through the purchase of a Wrap-up or Owner Controlled Insurance Program. This program shall provide coverage for all Persons engaged in construction operations at the Property (except to the extent that a particular Person is excluded from coverage, but such Person provides evidence reasonably acceptable to Agent prior to such Person's commencement of work at the Property of such Person's own coverage that meets the requirements set forth herein).

(ii) At all times after substantial completion of the Improvements:

(A) Insurance against loss customarily included under standard "All Risk" policies including flood, earthquake, vandalism, and malicious mischief, boiler and machinery, and such other insurable hazards as, under good insurance practices, from time to time are insured against for other

property and buildings similar to the Property in nature, use, location, height, and type of construction (it being agreed that the aforesaid coverage for flood and earthquake may a \$100,000,000 sublimit). Such insurance Policy shall also insure costs of demolition and increased cost of construction (which insurance for demolition and increased cost of construction may contain a sublimit of \$5,000,000). The amount of such insurance shall be not less than one hundred percent (100%) of the replacement cost value of the improvements at the Property. Each such insurance Policy shall contain an agreed amount replacement cost endorsement 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. If the insurance required under this paragraph is not obtained by blanket insurance policies, the insurance policy shall be endorsed to also provide guaranteed building replacement cost to the improvements at the Property and such tenant improvements and betterments in an amount to be subject to the approval of Agent, which approval shall not be unreasonably withheld. Agent shall be named Loss Payee on a Standard Mortgage Endorsement.

(B) Rent loss and/or business interruption insurance in an amount not less than the amount of gross rents payable in a 12 month period and which shall provide an Extended Period of Indemnity Endorsement for 180 days on an actual loss sustained basis, provided that Borrower shall maintain such insurance in an amount not less than the amount of gross rents payable in a 24 month period and which shall provide an Extended Period of Indemnity Endorsement for 180 days on an actual loss sustained basis if such additional 12 month period of coverage is available at an additional annual premium not to exceed \$300,000. Agent shall be named as Loss Payee as respects this coverage.

(C) Comprehensive Boiler and Machinery coverage, with a \$20,000,000 minimum limit for all mechanical and electrical equipment against physical damage, rent loss and improvements loss, with exclusions for testing removed. Such coverage shall include, 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) and include, without limitation, coverage for rental interruption insurance on an actual loss sustained basis with an Extended Period of Indemnity Endorsement for 180 days.

(iii) At all times during the term of the Loan:

(A) Public Liability insurance, including, without limitation, Commercial General Liability insurance; Owned Hired and Non-Owned Auto Liability; and Umbrella Liability coverage for Personal Injury, Bodily Injury, Death, Accident and Property Damage, providing in

combination no less than \$50,000,000 per occurrence and in the annual aggregate on per project basis, if aggregate limits are shared with other locations the amount of Umbrella Liability insurance to be provided shall be not less than \$75,000,000. The policies described in this paragraph shall cover, without limitation: elevators, escalators, independent contractors, Contractual Liability (covering, to the maximum extent permitted by law, Borrower's obligation to indemnify Agent and the Lenders as required under this Agreement), Products and Completed Operations Liability coverage.

(B) Workers Compensation and Disability insurance as required by applicable law.

(C) Such other types and amounts of insurance with respect to the Property and the operation thereof that are commonly maintained in the case of other properties 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 Agent.

(iv) After the conversion of the Property to Condominium form of ownership, Borrower shall cause the Condominium Association to maintain the insurance provided for in this Section 5.1.1(a) until the Loan is repaid in full.

(b) All insurance provided for in Section 5.1.1(a) shall be obtained under valid and enforceable policies (collectively, the "POLICIES" or in the singular, the "POLICY"), and, to the extent not specified above, shall be subject to the reasonable approval of Agent as to deductibles, loss payees and insureds. Not less than fifteen (15) days prior to the expiration dates of the Policies theretofore furnished to Agent, certificates of insurance evidencing the Policies and within thirty (30) days after commencement of the new or renewal Policy evidence reasonably satisfactory to Agent of payment of the premiums due thereunder (the "INSURANCE PREMIUMS"), shall be delivered by Borrower to Agent in accordance with paragraph (g) below.

(c) Any required insurance may be procured under a blanket insurance Policy covering the Property and other properties or assets of Borrower or its affiliates, provided that any such blanket insurance Policy shall specifically allocate to the Property the amount of coverage from time to time required hereunder and shall otherwise provide the same protection as would a separate Policy insuring only the Property in compliance with the provisions of Section 5.1.1(a). Agent, in its reasonable discretion, shall determine whether such blanket Policies provide sufficient limits of insurance.

(d) All Policies of insurance provided for or contemplated by Section 5.1.1(a) shall name Borrower as the insured and Agent (for the ratable benefit of Lenders and their successors and/or assigns) as the additional insured, and in the case of property damage, builder's risk, boiler and machinery, flood and earthquake insurance, shall contain a so-called New York standard non-contributing mortgagee clause or its equivalent in favor of Agent (including Agent as mortgagee and loss payee) providing that the loss thereunder shall be payable to Agent for the ratable benefit of Lenders and providing thirty (30) days' advance

notice of cancellation to Agent. Loss of Rental Income insurance shall name Agent (for the ratable benefit of Lenders and their successors and/or assigns) as loss payee. Notwithstanding the foregoing, if Borrower elects to convert the Property to condominium form of ownership in accordance with Section 4.1.37, from and after the Condominium Conversion, Agent's rights under this paragraph (d) shall be subject to the terms of the declaration of condominium; however, Borrower agrees to use reasonable efforts to designate Agent as the "Insurance Trustee" under the Condominium Documents until the Loan is repaid in full.

(e) All Policies shall contain coverage for tenant improvements and betterments that Borrower is required to insure pursuant to the applicable Lease. All Property insurance also shall include a co-insurance waiver and Agreed Amount Endorsement. The amount of any deductible under any Policy must be reasonably acceptable to Agent. Without Agent's prior written consent, Borrower shall not name any Person other than Agent, as loss payee, as it pertains to the Property, nor shall Borrower carry separate or additional insurance coverage covering the improvements at the Property concurrent in form or contributing in the event of loss with that required by this Agreement or; provided that, if blanket policies are obtained, this sentence shall not apply to property covered by such blanket policies other than the improvements at the Property and such tenant improvements and betterments that Borrower is required to insure pursuant to the applicable Lease loan.

(f) Each Policy shall contain a provision whereby the insurer: (i) agrees that such Policy shall not be canceled or terminated, the coverage, deductible, and limits of such Policy shall not be modified, other provisions of such Policy shall not be modified if such Policy, after giving effect to such modification, would not satisfy the requirements of this Agreement, and such Policy shall not be so modified, canceled or fail to be renewed, without in each case, at least thirty (30) days prior written notice to Agent, (ii) waives any right to claim any Insurance Premiums and commissions against Agent, provided that the Policy need not waive the requirement that the Insurance Premiums be paid in order for a claim to be paid to the insured and (iii) provides that Agent is 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 Policy (except for general public and other liability and Workers Compensation insurance) shall contain breach of warranty provisions, such Policy shall not be invalidated by and shall insure Agent for the benefit of Lenders regardless of (A) any act, failure to act or negligence of or violation of warranties, declarations or conditions contained in such Policy by any named insured, (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 Agent pursuant to any provision of the Mortgage or any other Loan Document.

(g) Borrower shall pay the Insurance Premiums for the Policies as the same become due and payable. Borrower shall deliver to Agent certified copies of the Policies required to be maintained pursuant to Section 5.1.1(a); provided, however, Agent and Lenders shall not be deemed by reason of the custody of such Policies to have knowledge of the contents thereof. Borrower also shall deliver to Agent within ten (10) days after Agent's request, a statement setting forth the particulars as to all such Policies, indicating that all Insurance Premiums due thereon have been paid and that the same are in full force and effect. Not later than seven (7) Business Days prior to the expiration date of each Policy, Borrower shall deliver to Agent a certificate of insurance evidencing renewal of coverage as required herein. Not later

than thirty (30) days after the renewal or replacement of each of the Policies, Borrower shall deliver to Agent evidence of payment of Insurance Premiums for such renewal or replacement Policies reasonably satisfactory to Agent and not later than sixty (60) days after the renewal or replacement of each of the Policies, Borrower shall deliver to Agent an original or certified copy (as required pursuant to this paragraph) of a renewal or replacement Policy or Policies.

(h) If at any time Agent is not in receipt of written evidence that all insurance required hereunder is maintained in full force and effect, Agent shall have the right (but not the obligation), upon not less than five (5) Business Days prior notice to Borrower, to take such action as Agent deems necessary to protect Lenders' interest in the Property, including, without limitation, the obtaining of such insurance coverage as Agent in its reasonable discretion deems appropriate and all Insurance Premiums incurred by Agent in connection with such action or in obtaining such insurance and keeping it in effect shall be paid by Borrower to Agent upon demand and until paid shall be secured by the Building Loan Mortgage and shall bear interest at the Default Rate.

(i) In the event of foreclosure of the Building Loan Mortgage and/or the Supplemental Project Loan Mortgage and/or the Project Loan Mortgage or other transfer of title to the Property in extinguishment in whole or in part of the Total Debt, 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 (except, if the Condominium Conversion shall have occurred, with respect to Policies maintained by the Condominium Association, other than proceeds payable thereunder to Borrower as a Unit owner) shall thereupon vest in the purchaser at such foreclosure or Agent or other transferee in the event of such other transfer of title.

5.1.2 INSURANCE COMPANY. All Policies shall be issued by financially sound and responsible insurance companies having a claims paying ability rating of "A:X" or better by A.M. Best Company, Inc. or as otherwise approved by Agent.

5.1.3 EXISTING POLICY. (a) Agent hereby confirms its approval of the coverage provided under the existing comprehensive All Risk insurance policy (the "EXISTING POLICY") maintained by Borrower with respect to the Property, which expires on December 1, 2003 and which provides All Risk coverage, including, without limitation, for "acts of terrorism" or other similar acts or events, of \$400,000,000 (the "EXISTING POLICY AMOUNT") with an Agreed Amount Endorsement. Notwithstanding anything to the contrary contained in this Agreement, the other Loan Agreements or any other Loan Document (including, without limitation, the Guaranty of Completion), Agent's and Lenders' obligations to make disbursements of the Loan proceeds pursuant to this Agreement, the Supplemental Loan Agreement and/or the Project Loan Agreement prior to December 1, 2003, shall not exceed, in the aggregate, the Existing Policy Amount prior to December 1, 2003 (the "SPECIAL CAPPED LOAN AMOUNT").

(b) Following the expiration of the Existing Policy, Borrower shall be required to maintain (or, if applicable, cause the Condominium Association to maintain), at all times that the Loan remains outstanding, a comprehensive All Risk insurance policy meeting the requirements set forth in Section 5.1.1(a) above. Upon the renewal or replacement of the Existing Policy, if "acts of terrorism" or other similar acts or events are hereafter excluded from Borrower's comprehensive All Risk insurance policy, Borrower shall obtain an endorsement to such Policy,

or a separate Policy from an insurance provider which maintains at least an Investment Grade Rating from Moody's and/or S&P (provided that neither Moody's or S&P rates such provider with less than an Investment Grade Rating), providing insurance coverage for replacement cost and rental interruption against all such excluded acts or events ("TERRORISM COVERAGE") on an agreed amount basis as is available, (which amount shall not be required to exceed \$490,000,000), and can be purchased for an annual premium that does not exceed \$2,700,000 (the "MAXIMUM TERRORISM INSURANCE PREMIUM").

(i) If the Maximum Terrorism Insurance Premium purchases a minimum of \$150,000,000 of Terrorism Coverage on an agreed amount basis, then Borrower shall pay to Agent, annually an additional fee which shall be calculated as the product of (A) the positive difference, if any, between (i) \$340,000,000 and (ii) the actual amount of Terrorism Coverage, and (B) .5% per annum.

(ii) If the Maximum Terrorism Insurance Premium purchases less than \$150,000,000 of Terrorism Coverage on an agreed amount basis, then Borrower shall advise Agent and Agent shall determine whether Borrower is required to purchase Terrorism Coverage in the amount that the Maximum Terrorism Insurance Premium would purchase on an agreed amount basis. In the event that Agent determines that Borrower is required to purchase Terrorism Coverage in such amount, then Borrower shall pay to Agent an annual fee in the amount of \$950,000. In the event that Agent determines that Borrower is not required to purchase Terrorism Coverage in such amount, then Borrower shall pay to Agent an annual fee in the amount of \$2,700,000.

The endorsement or policy shall be in form and substance reasonably satisfactory to Agent.

SECTION 5.2 CASUALTY AND CONDEMNATION.

5.2.1 CASUALTY. If the Improvements shall sustain a Casualty, Borrower shall give prompt notice of such Casualty to Agent and shall promptly commence and diligently prosecute to completion the repair and restoration of the Improvements as nearly as possible to the condition the Improvements was in immediately prior to such Casualty (a "RESTORATION") and otherwise in accordance with Section 5.3. Borrower shall pay all costs of such Restoration whether or not such costs are covered by insurance. Agent may, but shall not be obligated to, make proof of loss if not made promptly by Borrower.

5.2.2 CONDEMNATION. Borrower shall give Agent prompt notice of any actual or threatened Condemnation by any Governmental Authority of all or any part of the Property and shall deliver to Agent a copy of any and all papers served in connection with such proceedings. Agent may participate in any such proceedings, and Borrower shall from time to time deliver to Agent all instruments requested by Agent to permit such participation. Borrower shall, at its expense, diligently prosecute any such proceedings, and shall consult with Agent, its attorneys and experts, and cooperate with them in the carrying on or defense of any such proceedings. Notwithstanding any Condemnation, Borrower shall continue to pay the Debt at the time and in the manner provided for its payment in the Building Loan Note and this Agreement, in the Supplemental Loan Note and the Supplement Loan Agreement and in the Project Loan Note and the Project Loan Agreement, respectively. Lenders shall not be limited to

the interest paid on the Award by any Governmental Authority but shall be entitled to receive out of the Award interest and additional interest (if any) at the rate or rates provided in this Agreement or in the Building Loan Note or in the Supplemental Loan Agreement or in the Supplemental Loan Note or in the Project Loan Agreement or in the Project Loan Note, as applicable. If the Property or any portion thereof is taken by any Governmental Authority, Borrower shall promptly commence and diligently prosecute the Restoration of the Improvements and otherwise comply with the provisions of Section 5.3. If the Property is sold, through foreclosure or otherwise, prior to the receipt by Agent of the Award, Agent shall have the right, whether or not a deficiency judgment on the Building Loan Note, the Supplemental Note or the Project Loan Note shall have been sought, recovered or denied, to receive the Award, or a portion thereof sufficient to pay the Total Debt.

SECTION 5.3 DELIVERY OF NET PROCEEDS.

5.3.1 MINOR CASUALTY OR CONDEMNATION. If a Casualty or Condemnation has occurred to the Improvements and the Net Proceeds shall be less than the Restoration Threshold and the costs of completing the Restoration shall be less than the Restoration Threshold, and provided no Event of Default shall have occurred and remain uncured, the Net Proceeds will be disbursed by Agent to Borrower. As soon as reasonably practicable after receipt of the Net Proceeds (but in no event later than sixty (60) days after such Casualty or Condemnation, whichever the case may be, occurs) Borrower shall commence and satisfactorily complete with due diligence the Restoration in accordance with the terms of this Agreement. Notwithstanding the foregoing, if Borrower elects to convert the Property to condominium form of ownership in accordance with Section 4.1.37, from and after the Condominium Conversion, Agent's rights and obligations with respect to this Section 5.3.1 shall be subject to the terms of the declaration of condominium.

5.3.2 MAJOR CASUALTY OR CONDEMNATION. (a) If a Casualty or Condemnation has occurred to the Improvements, Borrower shall commence and satisfactorily complete with due diligence the Restoration in accordance with the terms of this Agreement, provided that Agent, if required to pursuant to the terms of this Agreement shall have made the Net Proceeds available to Borrower in accordance with the provisions of this Agreement. If the Net Proceeds are equal to or greater than the Restoration Threshold or the costs of completing the Restoration is equal to or greater than the Restoration Threshold, Agent shall make the Net Proceeds available for the Restoration, provided that each of the following conditions are met:

(i) no Event of Default shall have occurred and be continuing;

(ii) in the event the Net Proceeds are an Award, less than ten percent (10%) of the land constituting the Property is taken, and such land is located along the perimeter or periphery of the Property, and no portion of the Improvements is the subject of the Condemnation;

(iii) the Bloomberg Lease shall remain in full force and effect during and after the completion of the Restoration notwithstanding the occurrence of such Casualty or Condemnation;

(iv) Agent shall be reasonably satisfied that (A) (I) if the Casualty or Condemnation occurs prior to the Completion of the Improvements, the undisbursed amount of the Net Proceeds and the undisbursed proceeds of the Loan and any Cash Collateral then being held by Agent pursuant to the Cash Collateral Agreement (after Borrower has elected to balance the Loan to the extent required in accordance with Section 2.1.11 hereof) shall be sufficient to pay for the remaining Building Loan Costs, Project Loan Costs and costs of the Restoration, as determined by Agent in its sole but reasonable judgment, or (II) if the Casualty or Condemnation occurs after the Completion of the Improvements, (1) the undisbursed amount of the Net Proceeds shall be sufficient to pay for the costs of completing the Restoration or Borrower has deposited sufficient funds with Agent to pay for any such deficiency or Borrower shall pay for such costs of completing the Restoration, as incurred, in the amount of such deficiency so that the undisbursed amount of the Net Proceeds shall be sufficient to pay for the costs of completing the Restoration and (2) any operating deficits and all payments of principal and interest under the Note will be paid during the period required for Restoration from (y) the Net Proceeds or (z) other funds of Borrower, and (B) (I) if the Casualty or Condemnation occurs before the Completion of the Base Building Work, Agent shall be satisfied that the Restoration will be completed and the Completion of the Base Building Work will be achieved on or before the Initial Maturity Date or such earlier date as may be required under the Bloomberg Lease, or (II) if the Casualty or Condemnation occurs during the First Extension Period, Agent shall be satisfied that the Restoration will be completed and Completion of the Improvements will be achieved on or before the First Extended Maturity Date or such earlier date as may be required for completion under the Bloomberg Lease; and

(v) the Property and the use thereof after the Restoration (and, if applicable, completion of the Improvements) will be in compliance with and permitted under all applicable Legal Requirements.

(b) The Net Proceeds shall be paid directly to Agent and held by Agent in an interest-bearing account and, until disbursed in accordance with the provisions of this Section 5.3.2, shall constitute additional security for the Debt. The Net Proceeds shall be disbursed by Agent to, or as directed by, Borrower from time to time during the course of the Restoration, promptly after receipt of evidence reasonably satisfactory to Agent that (i) all requirements set forth in Section 5.3.2(a) have been satisfied, (ii) all materials installed and work and labor performed (except to the extent that they are to be paid for out of the requested disbursement) in connection with the Restoration have been paid for in full, and (iii) there exist no notices of pendency, stop orders, mechanic's or materialman's liens or notices of intention to file same, or any other Liens of any nature whatsoever on the Property arising out of the Restoration which have not either been fully bonded to the satisfaction of Agent and discharged of record or, in the alternative, fully insured to the satisfaction of Agent by the Title Company issuing the Title Insurance Policy.

(c) All plans and specifications required in connection with the Restoration shall be subject to prior reasonable approval by Agent and by an independent architect selected by Agent (which shall be the Construction Consultant if the Casualty or Condemnation occurs prior to the Completion of the Improvements) (the "CASUALTY CONSULTANT"). The identity of the

contractors, subcontractors and materialmen engaged in the Restoration, as well as the contracts under which they have been engaged, shall be subject to reasonable approval by Agent and the Casualty Consultant. All costs and expenses incurred by Agent in connection with recovering, holding and advancing the Net Proceeds for the Restoration including, without limitation, reasonable attorneys' fees and disbursements and the Casualty Consultant's fees and disbursements, shall be paid by Borrower.

(d) In no event shall Agent be obligated to make disbursements of the Net Proceeds in excess of an amount equal to the costs actually incurred from time to time for work in place as part of the Restoration, as certified by the Casualty Consultant, less the Casualty Retainage. The term "CASUALTY RETAINAGE" shall mean, as to each contractor, subcontractor or materialman engaged in the Restoration, an amount equal to ten percent (10%) of the costs actually incurred for work in place as part of the Restoration, as certified by the Casualty Consultant, until such time as fifty percent (50%) of the Restoration has been completed as certified by the Casualty Consultant. The Casualty Retainage shall in no event, and notwithstanding anything to the contrary set forth above in this Section 5.3.2(d), be less than the amount actually held back by Borrower from contractors, subcontractors and materialmen engaged in the Restoration. The Casualty Retainage shall not be released until the Casualty Consultant certifies to Agent that the Restoration has been completed in accordance with the provisions of this Section 5.3.2(d) and in accordance with all applicable Legal Requirements and Agent receives evidence reasonably satisfactory to Agent that the costs of the Restoration have been paid in full or will be paid in full out of the Casualty Retainage; provided, however, that Agent will release the portion of the Casualty Retainage being held with respect to any contractor, subcontractor or materialman engaged in the Restoration as of the date upon which the Casualty Consultant certifies to Agent that the contractor, subcontractor or materialman has satisfactorily completed all work and has supplied all materials in accordance with the provisions of the contractor's, subcontractor's or materialman's contract, the contractor, subcontractor or materialman delivers the lien waivers and evidence of payment in full of all sums due to the contractor, subcontractor or materialman as may be reasonably requested by Agent or by the title company issuing the Title Insurance Policy, and the conditions set forth in clauses (I), (II) and (III) of Section 5.3.2(b) have been satisfied. If required by Agent, the release of any such portion of the Casualty Retainage shall be approved by the surety company, if any, which has issued a payment or performance bond with respect to the contractor, subcontractor or materialman.

(e) Agent shall not be obligated to make disbursements of the Net Proceeds more frequently than once every calendar month.

(f) If at any time the Net Proceeds or the undisbursed balance thereof shall not, in the reasonable opinion of Agent in consultation with the Casualty Consultant, be sufficient to pay in full the balance of the costs which are estimated by the Casualty Consultant to be incurred in connection with the completion of the Restoration, Borrower shall, at its option, (i) deposit with Agent an amount equal to the deficiency (the "NET PROCEEDS DEFICIENCY"), (ii) pay for costs actually incurred in connection with the Restoration, as incurred, in the amount of the Net Proceeds Deficiency so that the amount of Net Proceeds that remains to be disbursed shall be sufficient to pay all remaining costs of the Restoration and Borrower shall furnish Agent with such evidence thereof as Agent shall reasonably require, or (iii) post with Agent a Letter of Credit in an amount equal to the Net Proceeds Deficiency, in any case, before any further

disbursement of the Net Proceeds shall be made. If Borrower deposits Net Proceeds Deficiency as aforesaid, the same with Agent shall be held by Agent and shall be disbursed for costs actually incurred in connection with the Restoration on the same conditions applicable to the disbursement of the Net Proceeds, and until so disbursed pursuant to this Section 5.3.2 shall constitute additional security for the Debt. Borrower hereby agrees that Agent, for the benefit of Lenders, shall have a Lien and security interest in any sums deposited pursuant to clause (i) above and Borrower shall have no right to withdraw any such sums except for the payment of the aforesaid costs of Restoration as approved by Agent.

(g) The excess, if any, of the Net Proceeds and the remaining balance, if any, of the Net Proceeds Deficiency deposited with Agent after the Casualty Consultant certifies to Agent that the Restoration has been completed in accordance with the provisions of this Section 5.3.2, and the receipt by Agent of evidence reasonably satisfactory to Agent that all costs incurred in connection with the Restoration have been paid in full, shall be remitted by Agent to Borrower, provided no Event of Default shall have occurred and shall be continuing under any of the Building Loan Documents and provided, however, that with respect to an Award, no amounts shall be remitted to Borrower in excess of the Net Proceeds Deficiency deposited with Agent.

(h) All Net Proceeds not required (i) to be made available for the Restoration or (ii) to be returned to Borrower as excess Net Proceeds pursuant to Section 5.3.2(g) may be retained and applied by Agent toward the payment of the Debt whether or not then due and payable in such order, priority and proportions as Agent in its sole discretion shall deem proper, or, at the discretion of Agent, the same may be paid, either in whole or in part, to Borrower for such purposes as Agent shall designate.

(i) Notwithstanding the foregoing, if Borrower elects to convert the Property to condominium form of ownership in accordance with Section 4.1.37, from and after the Condominium Conversion, Agent's rights and obligations with respect to this Section 5.3.2 shall be subject to the terms of the declaration of condominium, provided that if a Casualty shall occur at any time after such Condominium Conversion and before the Loan is repaid in full, the following provisions shall be applicable. If, pursuant to the declaration of condominium and the Condominium Act, the Net Proceeds must be applied to Restoration and the conditions set forth in Section 5.3.2(a)(iii) has been satisfied but any of the other conditions set forth in Section 5.3.2(a) shall not have been satisfied, Agent (on behalf of Lenders) shall have the right to declare the Loan or so much thereof as shall be advanced and outstanding and any and all other sums due and owing under this Agreement or the other Loan Documents immediately due and payable unless Agent shall have received a completion guaranty from Vornado in form and substance substantially the same as the Guaranty of Completion with respect to completion of the Restoration and a carry guaranty from Alexander's in form and substance substantially the same as the Guaranty of Carry Obligations with respect to the Carry Costs (as defined in the Guaranty of Carry Costs) during the period of Restoration, in which case (subject to the last sentence of this Section 5.3.2) Agent shall not have the right to so declare the Loan due and payable by reason of the Net Proceeds being so applied to the Restoration. Notwithstanding the preceding sentence, if Section 339-cc of the Condominium Act shall be applicable and if the conditions set forth in Section 5.3.2(a) shall not have been satisfied, then if Borrower votes its interests to restore in accordance with said Section 339-cc, Agent (on behalf of Lenders) shall have the right to declare the Loan or so much thereof as shall be advanced and outstanding and any and all

other sums due and owing under this Agreement or the other Loan Documents immediately due and payable. In any event, if the condition set forth in Section 5.3.2(a)(iii) has not been satisfied, Agent (on behalf of Lenders) shall have the right to declare the Loan or so much thereof as shall be advanced and outstanding and any and all other sums due and owing under this Agreement or the other Loan Documents immediately due and payable.

5.3.3 APPLICATION OF NET PROCEEDS. Upon the occurrence of an Event of Default, Agent, at its option, may withdraw all the Net Proceeds or the undisbursed balance thereof and the remaining balance, if any, of the Net Proceeds Deficiency deposited with Agent and may apply the such Net Proceeds and Net Proceeds Deficiency either to the payment of Restoration or to payment of the Debt (without premium or penalty, but subject to Section 2.2.7) in such order, proportion and priority as Agent may determine in its sole discretion. Agent's right to withdraw and apply such Net Proceeds and Net Proceeds Deficiency shall be in addition to all other rights and remedies provided to Agent under the Building Loan Documents. Notwithstanding the foregoing, if Borrower elects to convert the Property to condominium form of ownership in accordance with Section 4.1.37, from and after the Condominium Conversion, Agent's rights and obligations with respect to this Section 5.3.3 shall be subject to the terms of the declaration of condominium.

5.3.4 DISBURSEMENT DIRECTION. Borrower hereby authorizes Agent to disburse the Net Proceeds to Vornado instead of to Borrower at anytime that Vornado is performing under its Guaranty of Completion or as otherwise required pursuant to such Guaranty of Completion.

VI. NET CASH FLOW FUNDS

SECTION 6.1 DEPOSITS OF NCF FUNDS.

6.1.1 DEPOSIT OF NCF FUNDS. During any Cash Trap Period, Borrower shall deposit with Agent all Net Cash Flow as provided in Section 4.1.11.

6.1.2 RELEASE OF NCF FUNDS. Provided no Event of Default has occurred and is continuing, Borrower shall be entitled to release of NCF Funds at the end of a Cash Trap Period; provided that upon the occurrence of any subsequent Trigger Event, Borrower shall again be required to deposit Net Cash Flow with Agent in accordance with Section 4.1.11.

SECTION 6.2 INTENTIONALLY OMITTED.

SECTION 6.3 SECURITY INTEREST IN FUNDS.

6.3.1 GRANT OF SECURITY INTEREST. Borrower shall be the owner of (i) the Net Proceeds Deficiency, if any, deposited with Lender after a Casualty or Condemnation, (ii) the payments, if any, received by Agent from the Counterparty under and pursuant to any Assignment of Interest Rate Protection Agreement and (iii) the NCF Funds (collectively, the "FUNDS"). Borrower hereby pledges, assigns and grants a security interest to Agent for the benefit of Agent and Lenders, as security for payment of the Total Debt and the performance of all other terms, conditions and covenants of the Loan Documents on Borrower's part to be paid

and performed, in all of Borrower's right, title and interest in and to the Funds. The Funds shall be under the sole dominion and control of Agent.

6.3.2 PROHIBITION AGAINST FURTHER ENCUMBRANCE. Borrower shall not, without the prior consent of Agent, further pledge, assign or grant any security interest in the Funds 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 Agent as the secured party, to be filed with respect thereto.

6.3.3 APPLICATION OF FUNDS. Upon the occurrence of an Event of Default, Agent, at its option, may withdraw the Funds and apply the Funds to payment of the Total Debt in such order, proportion and priority as Lender may determine in its sole discretion. Agent's right to withdraw and apply the Funds shall be in addition to all other rights and remedies provided to Agent or Lenders under the Loan Documents.

SECTION 6.4 CASH MANAGEMENT.

6.4.1 PERMITTED INVESTMENTS. Agent shall invest any balances of the Funds in such Permitted Investments as Agent shall determine is appropriate given the length of time that such Funds are to be invested, which Permitted Investments shall be held in the name of and be under the sole dominion and control of Agent and subject at all times to the terms hereof. No investment shall be made unless Agent shall have and continue to have a perfected first priority lien in such investment securing the obligations of Borrower hereunder and under the other Building Loan Documents and all filings and other actions necessary to ensure the validity, perfection, and first priority of such lien shall have been taken. Agent shall have no liability for any loss of such funds that are invested in investments and no such loss shall affect Borrower's obligations to make the deposits required under Section 6.1.

6.4.2 EARNINGS ON FUND COLLATERAL; MONTHLY STATEMENTS. All interest or other income (whether by virtue of permitted investments or otherwise) accruing on such funds shall, in each case, be held as if a part of the funds so invested. All risk of loss in respect of the investments shall be borne by Borrower. Agent shall provide to Lenders and Borrower a monthly statement of account showing deposits into and disbursements (or transfers or reallocations, as the case may be) with respect to the funds.

6.4.3 INCOME TAXES. Borrower shall report on its federal, state and local income tax reports all interest or income accrued on such funds.

VII. PROPERTY MANAGEMENT AND REA

SECTION 7.1 THE MANAGEMENT AGREEMENT.

Borrower shall not enter into any agreement relating to the management or operation of the Property without the express consent of Agent, which consent shall not be unreasonably withheld, provided that such consent may be conditioned upon the manager under such agreement and Borrower executing a subordination of management fees substantially in the form annexed hereto as SCHEDULE XXXI. From and after such time as Borrower shall have

entered into a Management Agreement, Borrower shall exercise Borrower's rights under the Management Agreement against Manager so that Manager manages the Property in accordance with the Management Agreement. Borrower shall (i) diligently perform and observe all of the terms, covenants and conditions of the Management Agreement on the part of Borrower to be performed and observed, (ii) promptly notify Agent of any notice to Borrower of any default by Borrower in the performance or observance of any of the terms, covenants or conditions of the Management Agreement on the part of Borrower to be performed and observed and (iii) promptly notify Agent of any default by Manager in the performance or observance of any of the terms, covenants or conditions of the Management Agreement on the part of Manager to be performed and observed. If Borrower shall default in the performance or observance of any material term, covenant or condition of the Management Agreement on the part of Borrower to be performed or observed, then, without limiting Agent's other rights or remedies under this Agreement or the other Building Loan Documents, and without waiving or releasing Borrower from any of its obligations hereunder or under the Management Agreement, Agent shall have the right, but shall be under no obligation, to pay any sums and to perform any act as may be appropriate to cause all the material terms, covenants and conditions of the Management Agreement on the part of Borrower to be performed or observed. The provisions of this Section 7.1 shall no longer be applicable in respect of the Residential Component from and after the occurrence of any Condominium Conversion, provided that Borrower agrees that after any such Condominium Conversion for so long as Borrower owns any Residential Units, Borrower shall not vote to enter into any agreement relating to the management or operation of the Residential Component without the express consent of Agent, which consent shall not be unreasonably withheld.

SECTION 7.2 PROHIBITION AGAINST TERMINATION OR MODIFICATION.

Borrower shall not surrender, terminate, cancel, modify, renew or extend the Management Agreement, or enter into any other agreement relating to the management or operation of the Property with Manager or any other Person, or consent to the assignment by the Manager of its interest under the Management Agreement, in each case without the express consent of Agent, which consent shall not be unreasonably withheld; provided, however, with respect to a new manager such consent may be conditioned upon such new manager and Borrower executing an assignment of management agreement and subordination of management fees substantially in the form of the Assignment of Management Agreement and Subordination of Fees dated the Closing Date.

SECTION 7.3 REPLACEMENT OF MANAGER.

Agent shall have the right to require Borrower to replace the Manager with a Person chosen by Borrower and approved by Agent, or at Agent's option, selected by Agent in its sole discretion, upon the occurrence of any one or more of the following events: (i) at any time following the occurrence of an Event of Default and/or (ii) at any time that the Manager has engaged in (x) gross negligence, (y) fraud or (z) willful misconduct.

VIII. TRANSFERS

SECTION 8.1 AGENT'S AND LENDERS' RELIANCE.

Borrower acknowledges that Agent and Lenders have examined and relied on the experience of Borrower and its general partners, members, principals and (if Borrower is a trust) beneficial owners in owning and operating properties such as the Property in agreeing to enter into this Agreement and make the Building Loan, the Supplemental Loan and the Project Loan and will continue to rely on Borrower's ownership of the Property as a means of maintaining the value of the Property as security for repayment of the Total Debt and the performance of Borrower's obligations under the Loan Documents. Borrower acknowledges that Agent and Lenders have a valid interest in maintaining the value of the Property so as to ensure that, should Borrower default in the repayment of the Total Debt or the performance of Borrower's obligations under the Loan Documents, Agent and Lenders can recover the Total Debt by a sale of the Property.

SECTION 8.2 NO TRANSFERS.

Except for Permitted Transfers, Borrower shall not Transfer the Property or any part thereof or permit or suffer the Property or any part thereof to be Transferred or permit any other Transfer to occur, unless Agent shall consent thereto in writing, in Agent's sole and absolute discretion. The subordination by Agent of the Liens of the Mortgage to the ZLDA shall not be deemed to impair, abridge or otherwise affect the restrictions on Transfers set forth in this Agreement and the Mortgage, which shall remain in full force and effect.

SECTION 8.3 PERMITTED TRANSFERS.

8.3.1 PERMITTED TRANSFERS. The restrictions on Transfers set forth in Section 8.2 shall not apply to the following Transfers (collectively, "PERMITTED TRANSFERS"):

(a) the direct or indirect issuance, redemption, repurchase, conversion, sale, transfer, pledge or other disposition of publicly or privately traded securities of Vornado Realty Trust (the "REIT") or the direct or indirect issuance, redemption, repurchase, conversion, transfer, pledge or other disposition of limited partnership interests in Vornado, provided that the REIT (or any permitted successor by merger or consolidation as hereinafter provided) shall at all times (i) be and remain the general partner of Vornado (or any permitted successor by merger or consolidation as hereinafter provided) and have the right and power to direct the management, policies and day to day business and affairs of Vornado (or any permitted successor by merger or consolidation as hereinafter provided) and (ii) directly or indirectly own a minimum of fifty one percent (51%) of the common equity interests in Vornado (or any permitted successor by merger or consolidation as hereinafter provided);

(b) a merger or consolidation of the REIT or Vornado into or with another Person, or the merger or consolidation of another Person into or with the REIT or Vornado, provided that at all times thereafter (i) the senior management of Vornado shall continue to be the senior management of the surviving entity with the power to direct management, policies and day to day business and affairs of such surviving entity, and (ii) the Management Agreement for the Property continues in full force and effect with the surviving entity having the right and power to

direct the management, policies and day to day business and affairs of the Manager and directly or indirectly owning a minimum of fifty one percent (51%) of the interests in Manager and (iii) each of the financial covenants contained in the Guaranty of Completion and Guaranty of Limited Recourse Obligations made by Vornado remain true and correct as of the date of such merger or consolidation, after giving effect to the same;

(c) the direct or indirect issuance, sale, redemption, repurchase, conversion, transfer, pledge or other disposition of publicly or privately traded securities of Alexander's or a merger or consolidation of Alexander's into or with another Person or a merger of another Person into or with Alexander's provided that (i) the Management Agreement for the Property continues in full force and effect at such time and (ii) the financial covenant contained in the Guaranty of Carry Obligations and Guaranty of Limited Recourse Obligations made by Alexander's remains true and correct as of the date of such merger or consolidation, after giving effect to the same;

(d) the pledge of ownership interests in Commercial Holding and Residential Holding as security for the Mezzanine Loan for so long as the Mezzanine Loan continues to be owned by Vornado (or its successor by merger or consolidation as provided herein) or an entity directly or indirectly wholly-owned by Vornado, (or its successor by merger or consolidation as provided herein) or the transfer of such interests to Vornado (or its successor by merger or consolidation as provided herein) or an entity directly or indirectly wholly-owned by Vornado as a result of a foreclosure or transfer-in-lieu of foreclosure of the Mezzanine Loan Collateral as Mezzanine Lender;

(e) the conversion of the Property to a condominium form of ownership, subject the provisions of Section 4.1.37;

(f) transfers of Residential Units pursuant to Qualifying Contracts in conjunction with a release of such Units from the liens of the Mortgage pursuant to Section 4.1.37(i);

(g) easements affecting the Property that are granted with the approval of Agent (not to be unreasonably withheld) in accordance with the terms of this Agreement and the Mortgage; and

(h) any Liens that are Permitted Encumbrances.

IX. DEFAULTS

SECTION 9.1 EVENTS OF DEFAULT.

(a) Each of the following events shall constitute an event of default hereunder (an "EVENT OF DEFAULT"):

(i) if Borrower shall fail to pay the principal of the Loan when due, whether at maturity, by acceleration or as part of any payment or otherwise, as provided in the Loan Documents; or if, prior to maturity, Borrower shall fail to pay any interest, fees or other amounts payable under the Loan when due (prior to maturity), or as part of any payment

or prepayment or otherwise, as provided in the Loan Documents and such failure to pay shall have continued for a period of five (5) days after the due date thereof; or if Borrower shall fail to pay any interest, fees or other amounts payable under the Loan when due at maturity whether by acceleration or otherwise;

(ii) if Borrower shall fail to pay any of the Taxes or Other Charges when due;

(iii) if the Policies are not kept in full force and effect;

(iv) if Borrower breaches or permits or suffers a breach of Article 6 of the Building Loan Mortgage;

(v) if (A) a monetary default or any other material default on the part of Bloomberg under the Bloomberg Lease that would reasonably be expected to impair Bloomberg's ability to, or otherwise evidence Bloomberg's inability to perform its material obligations under the Bloomberg Lease, shall have occurred under the Bloomberg Lease and such default shall continue beyond any applicable notice or grace period without having been cured or (B) a material default on the part of Commercial Owner as landlord under the Bloomberg Lease shall have occurred and such default shall continue beyond any applicable notice or grace period without having been cured or (C) the Bloomberg Lease shall terminate for any reason or shall be rejected in bankruptcy by the Tenant thereunder;

(vi) if any representation or warranty made by Borrower herein or in any other Loan Document, or in any report, certificate, financial statement or other instrument, agreement or document furnished to Agent and/or Lenders in connection with the Loan shall have been false or shall have omitted a material fact so as to make the same not misleading in any material respect as of the date the representation or warranty was made;

(vii) if Borrower or any Guarantor shall make an assignment for the benefit of creditors;

(viii) if a receiver, liquidator or trustee shall be appointed for Borrower or any Guarantor or if Borrower or any Guarantor 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 any Guarantor, or if any proceeding for the dissolution or liquidation of Borrower or any Guarantor shall be instituted; provided, however, if such appointment, adjudication, petition or proceeding was involuntary and not consented to by Borrower or such Guarantor, upon the same not being discharged, stayed or dismissed within sixty (60) days;

(ix) 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;

(x) if any Lease is modified, amended or terminated without the prior written consent of Agent, to the extent that such consent is required pursuant to the provisions of Section 4.1.9;

(xi) if any material easements, restrictions, covenants or operating agreements benefiting the Property shall no longer be in full force and effect and the same has a material adverse affect on the Property;

(xii) if Borrower breaches in any material respect any representation, warranty or covenant contained in Section 3.1.24;

(xiii) if Borrower shall continue to be in Default under any of the other terms, covenants or conditions of this Agreement or any other Loan Document not specified in subsections (i) to (xii) above, for ten (10) days after notice to Borrower from Agent, in the case of any Default which can be cured by the payment of a sum of money, or for fifteen (15) days after notice from Agent in the case of any other Default; provided, however, that if such non-monetary Default is susceptible of cure but cannot reasonably be cured within such 15-day period and provided further that Borrower shall have commenced to cure such Default within such 15-day period and thereafter diligently and expeditiously proceeds to cure the same, such 15-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;

(xiv) if any other such event shall occur or condition shall exist if the effect of such event or condition is to accelerate the maturity of any portion of the Total Debt or to permit Agent to accelerate the maturity of all or any portion of the Total Debt;

(xv) if the Improvements are not completed in accordance with Section 4.1.21 on or prior to the Initial Maturity Date or are not completed to the stage required under the Bloomberg Lease on or prior to the relevant milestone date for such required stage of completion under the Bloomberg Lease;

(xvi) if any voucher or invoice is fraudulently submitted by Borrower in connection with any Advance for services performed or for materials used in or furnished for the Property;

(xvii) if there is any material cessation at any time (after construction of the steel structure commences) in construction of the Improvements for more than twenty (20) consecutive Business Days except if due to a Force Majeure Event;

(xviii) if Borrower requests a termination of the Building Loan, the Supplemental Loan and/or Project Loan, or confesses inability to continue or complete construction of the Improvements in accordance with this Agreement;

(xix) if Agent, the Construction Consultant or their representatives are not permitted at all reasonable times during the construction period, upon not less than two (2) Business Days' notice to Borrower to enter upon the Property (subject to the rights of Bloomberg under the Bloomberg Lease), inspect the Improvements and the construction

thereof and all materials, fixtures and articles used or to be used in the construction and to examine all the Plans and Specifications, or if Borrower shall fail to furnish to Agent or its authorized representative, when requested upon not less than two (2) Business Days' notice to Borrower, copies of the Plans and Specifications;

(xx) if the Management Agreement with Manager shall be terminated or otherwise no longer remain in full force and effect;

(xxi) if a default shall occur under any Guaranty and shall continue unremedied after any applicable notice or cure period provided therefor in such Guaranty;

(xxii) if one or more judgments that are not covered by insurance or decrees shall be entered against Borrower involving in the aggregate a liability in excess of \$500,000 and shall not have been vacated or bonded and stayed within thirty (30) days;

(xxiii) if, after Borrower shall have elected to convert the Property to a condominium form of ownership, Borrower shall be in default beyond any applicable notice and cure period under the Condominium Documents;

(xxiv) if, after Borrower shall have elected to convert the Property to a condominium form of ownership, Borrower shall fail to pay the common area charges on the condominium unit covered by the Mortgage within the applicable grace or cure period provided in the by-laws of the condominium.

(b) Upon the occurrence of an Event of Default (other than an Event of Default described in clauses (vii), (viii) or (ix) above) and at any time thereafter Agent may, 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, without notice or demand, that Agent deems advisable to protect and enforce its rights against Borrower and in and to the Property, including, without limitation, declaring the Total Debt to be immediately due and payable, and Agent may enforce or avail itself of any or all rights or remedies provided 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 clauses (vii), (viii) or (ix) above, the Total Debt 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.

SECTION 9.2 RIGHTS AND REMEDIES OF AGENT AND LENDERS.

9.2.1 REMEDIES. (a) Upon the occurrence of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available to Agent against Borrower under this Agreement or any of the other Building Loan Documents executed and delivered by, or applicable to, Borrower or at law or in equity may be exercised by Agent at any time and from time to time, whether or not all or any of the Debt shall be declared due and payable, and whether or not Agent shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Building Loan Documents with respect to the Property or the Cash Collateral. Any such actions taken by Agent shall be cumulative and

concurrent and may be pursued independently, singly, successively, together or otherwise, at such time and in such order as Agent may determine in its sole discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of Agent permitted by law, equity or contract or as set forth herein or in the other Building Loan Documents. Without limiting the generality of the foregoing, Borrower agrees that, to the fullest extent permitted by applicable law, if an Event of Default is continuing (i) Agent is not subject to any "one action" or "election of remedies" law or rule, and (ii) all liens and other rights, remedies or privileges provided to Agent shall remain in full force and effect until Agent has exhausted all of its remedies against the Property and the Building Loan Mortgage has been foreclosed, sold and/or otherwise realized upon in satisfaction of the Debt or the Debt has been paid in full.

(b) Agent shall have the right from time to time following the occurrence of an Event of Default to partially foreclose the Building Loan Mortgage in any manner and for any amounts secured by the Building Loan Mortgage then due and payable as determined by Agent in its sole discretion including, without limitation, the following circumstances: (i) in the event Borrower defaults beyond any applicable grace period in the payment of one or more scheduled payments of principal and interest, Agent may foreclose the Building Loan Mortgage to recover such delinquent payments, or (ii) in the event Agent elects to accelerate less than the entire outstanding principal balance of the Loan, Agent may foreclose the Building Loan Mortgage to recover so much of the principal balance of the Building Loan as Agent may accelerate and such other sums secured by the Building Loan Mortgage as Agent may elect. Notwithstanding one or more partial foreclosures, the Property shall remain subject to the Building Loan Mortgage to secure payment of sums secured by the Building Loan Mortgage and not previously recovered.

(c) Agent shall have the right from time to time to sever the Building Loan Note and the other Loan Documents into one or more separate notes, mortgages and other security documents (the "SEVERED LOAN DOCUMENTS") in such denominations as Agent shall determine in its sole discretion for purposes of evidencing and enforcing its rights and remedies provided hereunder. Borrower shall execute and deliver to Agent from time to time, promptly after the request of Agent, a severance agreement and such other documents as Agent shall request in order to effect the severance described in the preceding sentence, all in form and substance reasonably satisfactory to Agent. Borrower hereby absolutely and irrevocably appoints Agent 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 the aforesaid severance, Borrower ratifying all that its said attorney shall do by virtue thereof; provided, however, Agent shall not make or execute any such documents under such power until three (3) Business Days after notice has been given to Borrower by Agent of Agent's intent to exercise its rights under such power. Borrower shall not be obligated to pay any costs or expenses incurred in connection with the preparation, execution, recording or filing of the Severed Loan Documents, and the Severed Loan Documents shall not contain any representations, warranties or covenants not contained in the Building Loan Documents and any such representations and warranties contained in the Severed Loan Documents will be given by Borrower only as of the Closing Date or the date of the last Advance made hereunder or under the Project Loan Agreement, whichever is later.

(d) Upon the occurrence of an Event of Default, Agent may declare Lenders' obligations to make Advances hereunder to be terminated, whereupon the same shall terminate,

and/or declare all unpaid principal of and accrued interest on the Building Loan Note, together with all other sums payable under the Building Loan Documents, to be immediately due and payable, whereupon same shall become and be immediately due and payable, anything in the Building Loan Documents to the contrary notwithstanding, and without presentation, protest or further demand or notice of any kind, all of which are expressly hereby waived by Borrower; provided, however, that Lenders may make Advances or parts of Advances thereafter without thereby waiving the right to demand payment of the Building Loan Note, without becoming liable to make any other or further Advances, and without affecting the validity of or enforceability of the Building Loan Documents. Notwithstanding and without limiting the generality of the foregoing or anything else to the contrary contained in this Agreement, upon the occurrence of an Event of Default, Lenders' obligations to make Advances hereunder shall automatically terminate.

(e) Upon the occurrence of an Event of Default, subject to Agent's first providing Vornado with an opportunity to assume responsibility for the construction of the Improvements in accordance with the Guaranty of Completion, Agent may cause the Improvements to be completed and may enter upon the Property and construct, equip and complete the Improvements in accordance with the Plans and Specifications, with such changes therein as Agent may, from time to time, and in its sole discretion, deem appropriate. In connection with any construction of the improvements undertaken by Agent pursuant to the provisions of this subsection, Agent may:

(i) use any funds of Borrower, including any balance which may be held by Agent as security or in escrow, and any funds remaining unadvanced under the Building Loan;

(ii) employ existing contractors, subcontractors, including Major Trade Contractors, agents, architects, engineers, and the like, or terminate the same and employ others;

(iii) employ security watchmen to protect the Property;

(iv) make such additions, changes and corrections in the Plans and Specifications as shall, in the judgment of Agent, be necessary or desirable;

(v) take over and use any and all Personal Property contracted for or purchased by Borrower, if appropriate, or dispose of the same as Agent sees fit;

(vi) execute all applications and certificates on behalf of Borrower which may be required by any Governmental Authority or Law or Regulation or contract documents or agreements;

(vii) pay, settle or compromise all existing or future bills and claims which are or may be liens against the Property, or may be necessary for the Completion of the Improvements or the clearance of title to the Property, including, without limitation, all taxes and assessments;

(viii) complete the marketing and sale of Residential Units and Commercial Units, and complete the marketing and leasing of leasable space in the Improvements,

enter into new leases and occupancy agreements of the Residential Units or Commercial Units, and modify or amend existing leases and occupancy agreements, all as Agent shall deem to be necessary or desirable;

(ix) prosecute and defend all actions and proceedings in connection with the construction of the Improvements or in any other way affecting the Property, the Improvements and take such action and require such performance as Agent deems necessary under the Payment and Performance Bonds; and

(x) take such other action hereunder, or refrain from acting hereunder, as Agent may, in its sole and absolute discretion, from time to time determine, and without any limitation whatsoever, to carry out the intent of this Section 9.21.

Borrower shall be liable to Agent for all costs paid or incurred for the construction, completion and equipping of the Improvements, whether the same shall be paid or incurred pursuant to the provisions of this Section or otherwise, and all payments made or liabilities incurred by Agent hereunder of any kind whatsoever shall be deemed advances made to Borrower under this Agreement and shall be secured by the Building Loan Mortgage and the other Building Loan Documents.

To the extent that any costs so paid or incurred by Agent, together with all other Advances made by Lenders hereunder, exceed the Building Loan Amount, such excess costs shall be paid by Borrower to Agent on demand, with interest thereon at the Default Rate until paid; and Borrower shall execute such notes or amendments to the Building Loan Note as may be requested by Agent to evidence Borrower's obligation to pay such excess costs and until such notes or amendments are so executed by Borrower, Borrower's obligation to pay such excess costs shall be deemed to be evidenced by this Agreement. In the event Agent takes possession of the Property and assumes control of such construction as aforesaid, Agent shall not be obligated to continue such construction longer than Agent shall see fit and may thereafter, at any time, change any course of action undertaken by it or abandon such construction and decline to make further payments for the account of Borrower whether or not the Property shall have been completed. For the purpose of this Section, the construction, equipping and completion of the Property shall be deemed to include any action necessary to cure any Event of Default by Borrower under any of the terms and provisions of any of the Building Loan Documents.

(f) Upon the occurrence of an Event of Default, Agent may appoint or seek appointment of a receiver, without notice and without regard to the solvency of Borrower or the adequacy of the security, for the purpose of preserving the Property, preventing waste, and to protect all rights accruing to Agent and/or Lenders by virtue of this Agreement and the other Building Loan Documents, and expressly to do any further acts as Agent may determine to be necessary to complete the development and construction of the Improvements. All expenses incurred in connection with the appointment of such receiver, or in protecting, preserving, or improving the Property, shall be charged against Borrower and shall be secured by the Building Loan Mortgage and enforced as a lien against the Property.

(g) Upon the occurrence of an Event of Default, Agent may accelerate maturity of the Building Loan Note and any other indebtedness of Borrower to Lenders, and demand

payment of the principal sum due thereunder, with interest, advances, costs and reasonable attorneys' fees and expenses (including those for appellate proceedings), and enforce collection of such payment by foreclosure of the Building Loan Mortgage or the enforcement of any other collateral, or other appropriate action.

9.2.2 POWER OF ATTORNEY. For the purposes of carrying out the provisions and exercising the rights, powers and privileges granted by or referred to in this Agreement, Borrower hereby irrevocably constitutes and appoints Agent its true and lawful attorney-in-fact, with full power of substitution, to execute, acknowledge and deliver any instruments and do and perform any acts which are referred to in this Agreement, in the name and on behalf of Borrower after the occurrence of an Event of Default. The power vested in such attorney-in-fact is, and shall be deemed to be, coupled with an interest and irrevocable.

9.2.3 REMEDIES CUMULATIVE. Upon the occurrence of any Event of Default, the rights, powers and privileges provided in this Article IX and all other remedies available to Agent and Lenders under this Agreement or under any of the other Building Loan Documents or at law or in equity may be exercised by Agent and Lenders at any time and from time to time and shall not constitute a waiver of Agent's or any of Lenders' other rights or remedies thereunder, whether or not the Building Loan shall be due and payable, and whether or not Agent shall have instituted any foreclosure proceedings or other action for the enforcement of its rights under the Building Loan Documents.

9.2.4 ANNULMENT OF DEFAULTS. An Event of Default shall not be deemed to be in existence for any purpose of this Agreement or any Loan Document if Agent shall have waived such Event of Default in writing or stated that the same has been cured to its reasonable satisfaction, but no such waiver shall extend to or affect any subsequent Event of Default or impair any of the rights of Lenders upon the occurrence thereof.

9.2.5 WAIVERS. Borrower hereby waives to the extent not prohibited by applicable law (a) all presentments, demands for payment or performance, notices of nonperformance (except to the extent required by the provisions hereof or of any other Building Loan Documents), protests and notices of dishonor, (b) any requirement of diligence or promptness on Agent's or Lenders' part in the enforcement of its rights (but not fulfillment of its obligations) under the provisions of this Agreement or any other Building Loan Document, and (c) any and all notices of every kind and description which may be required to be given by any statute or rule of law.

9.2.6 COURSE OF DEALING, ETC. No course of dealing and no delay or omission by Agent, Lenders or Borrower in exercising any right or remedy hereunder shall operate as a waiver thereof or of any other right or remedy and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. No waiver or consent shall be binding upon Lenders unless it is in writing and signed by Agent. Agent's exercise of Agent's right to remedy any default by Borrower to Lenders or any other person, firm or corporation shall not constitute a waiver of the default remedied, a waiver of any other prior or subsequent default by Borrower or a waiver of the right to be reimbursed for any and all of its expenses in so remedying such default. The making of an

Advance hereunder during the existence of an Event of Default shall not constitute a waiver thereof. All rights and remedies of Lenders hereunder are cumulative. No Advance of Building Loan proceeds hereunder, no increase or decrease in the amount of any Advance, and no making of all or any part of an Advance prior to the due date thereof shall constitute an approval or acceptance by Lenders of the work theretofore done or a waiver of any of the conditions of Lenders' obligation to make further Advances, nor in the event Borrower is unable to satisfy any such condition, shall any such failure to insist upon strict compliance have the effect of precluding Lenders from thereafter refusing to make an Advance and/or declaring such inability to be an Event of Default as hereinabove provided. All Advances shall be deemed to have been made pursuant hereto and not in contravention of the terms of this Agreement.

SECTION 9.3 REMEDIES CUMULATIVE.

The rights, powers and remedies of Agent under this Agreement shall be cumulative and not exclusive of any other right, power or remedy which Agent may have against Borrower pursuant to this Agreement or the other Loan Documents, or existing at law or in equity or otherwise. Agent's rights, powers and remedies may be pursued singly, concurrently or otherwise, at such time and in such order as Agent may determine in Agent'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.

X. MISCELLANEOUS

SECTION 10.1 SUCCESSORS AND ASSIGNS.

All covenants, promises and agreements in this Agreement, by or on behalf of Borrower, shall inure to the benefit of the respective legal representatives, successors and assigns of Agent and Lenders.

SECTION 10.2 AGENT'S AND LENDER'S DISCRETION.

Whenever, pursuant to this Agreement, Agent and/or a Lender exercises any right given to it to approve or disapprove, or any arrangement or term is to be satisfactory to Agent and/or any Lender, the decision of Agent and/or such Lender to approve or disapprove or to decide whether arrangements or terms are satisfactory or not satisfactory shall (except as is otherwise specifically herein provided) be in the sole discretion of Agent and/or such Lender, as applicable, and shall be final and conclusive.

SECTION 10.3 GOVERNING LAW, JURISDICTION AND AGENT FOR

SERVICE.

(A) THIS AGREEMENT WAS NEGOTIATED IN THE STATE OF NEW YORK, AND MADE BY AGENT AND LENDERS AND ACCEPTED BY BORROWER IN THE STATE OF NEW YORK, AND THE PROCEEDS OF THE

BUILDING LOAN NOTE DELIVERED PURSUANT HERETO 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 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 LAWS) AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA, EXCEPT THAT AT ALL TIMES THE PROVISIONS FOR THE CREATION, PERFECTION, AND ENFORCEMENT OF THE LIEN AND SECURITY INTEREST CREATED PURSUANT [THE BUILDING LOAN] MORTGAGE SHALL BE GOVERNED BY AND CONSTRUED ACCORDING TO THE LAW OF THE STATE IN WHICH THE PROPERTY IS LOCATED, IT BEING UNDERSTOOD THAT, TO THE FULLEST EXTENT PERMITTED BY THE LAW OF SUCH STATE, THE LAW OF THE STATE OF NEW YORK SHALL GOVERN THE CONSTRUCTION, VALIDITY AND ENFORCEABILITY OF ALL LOAN DOCUMENTS AND ALL OF THE OBLIGATIONS ARISING HEREUNDER OR THEREUNDER. TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER 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 AND THE 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.

(B) ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST AGENT, ANY LENDER OR BORROWER ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY AT AGENT'S OR LENDERS' OPTION 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 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 HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUIT, ACTION OR PROCEEDING. BORROWER DOES HEREBY DESIGNATE AND APPOINT:

Proskauer Rose LLP
1585 Broadway
New York, New York 10035
Attention: Lawrence J. Lipson, Esq.

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 AGENT 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 BORROWER PURSUANT TO A WRITTEN CONSENT IN FORM AND SUBSTANCE SATISFACTORY TO AGENT.

SECTION 10.4 MODIFICATION, WAIVER IN WRITING.

No modification, amendment, extension, discharge, termination or waiver of any provision of this Agreement or of any other Loan Document, nor consent to any departure by Borrower 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 10.5 DELAY NOT A WAIVER.

Neither any failure nor any delay on the part of Agent and/or Lenders in insisting upon strict performance of any term, condition, covenant or agreement, or exercising any right, power, remedy or privilege hereunder, or under any other Loan Document, 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 or any other Loan Document, neither Agent nor Lenders shall be deemed to have waived any right either to require prompt payment when due of all other amounts due under this Agreement or the other Loan Documents, or to declare a default for failure to effect prompt payment of any such other amount.

SECTION 10.6 NOTICES.

All notices, demands, requests, consents, approvals or other communications (any of the foregoing, a "NOTICE") required, permitted, or desired to be given hereunder or under any other Loan Document (other than the Guaranties which shall be governed by the respective provisions thereof concerning notices) shall be in writing sent by telefax (with answer back acknowledged) or by registered or certified mail, postage prepaid, return receipt requested, or

delivered by hand or reputable overnight courier addressed to the party to be so notified at its address hereinafter set forth, or to such other address as such party may hereafter specify in accordance with the provisions of this Section 10.6. Any Notice shall be deemed to have been received: (a) three (3) days after the date such Notice is mailed, (b) on the date of sending by telefax if sent during business hours on a Business Day (otherwise on the next Business Day), (c) on the date of delivery by hand if delivered during business hours on a Business Day (otherwise on the next Business Day), and (d) on the next Business Day if sent by an overnight commercial courier, in each case addressed to the parties as follows:

If to Agent: Bayerische Hypo- und Vereinsbank AG, New York
Branch, as Agent
HVB Real Estate
622 Third Avenue
29th Floor
New York, New York 10017
Facsimile No. (212) 672-5527

with a copy to: Cadwalader, Wickersham & Taft
100 Maiden Lane
New York, New York 10038
Attention: John M. Zizzo, Esq.
Facsimile No. (212) 504-6666

If to Lenders: at their respective Applicable Lending Office set
forth opposite their signatures hereto.

If to Borrower: 731 Commercial LLC and 731 Residential LLC
c/o Alexander's, Inc.
888 Seventh Avenue
New York, New York 10019
Attention: Chief Executive Officer
Facsimile No. (212) 894-7474

With a copy to: Vornado Realty Trust
888 Seventh Avenue
New York, New York 10019
Attention: Chief Financial Officer
Facsimile No. (212) 894-7996

And with a copy to: Proskauer Rose LLP
1585 Broadway
New York, New York 10036
Attention: Lawrence J. Lipson, Esq.
Facsimile No. (212) 969-2900

With respect to any notice given by Borrower requesting Agent's consent or approval pursuant to a provision in this Agreement or any other Loan Document providing for

deemed approval or consent if Agent does not respond within a specified number of days (such provision being herein referred to as a "deemed approval mechanism"), Borrower shall be required to mark such notice and the envelope containing same "URGENT" and include a warning thereon that: AGENT'S FAILURE TO RESPOND WITHIN ___ DAYS OF THE RECEIPT THEREOF WILL RESULT IN THE REQUESTED CONSENT OR APPROVAL BEING DEEMED TO HAVE BEEN GRANTED. Any such notice that fails to provide such warning shall not be deemed to have been properly given for the purposes of triggering a deemed approval mechanism. [*specifying the applicable number of days]

SECTION 10.7 TRIAL BY JURY.

BORROWER, AGENT AND EACH LENDER EACH HEREBY AGREE NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVE ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THE LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY BORROWER, AGENT AND EACH 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. BORROWER, AGENT AND EACH LENDER ARE EACH HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER.

SECTION 10.8 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 10.9 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 10.10 PREFERENCES.

Each Lender shall have the continuing and exclusive right to apply or reverse and reapply any and all payments by Borrower to any portion of the obligations of Borrower hereunder. To the extent Borrower makes a payment or payments to Agent or any 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 Agent or such Lender.

SECTION 10.11 WAIVER OF NOTICE.

Borrower shall not be entitled to any notices of any nature whatsoever from Agent or Lenders except with respect to matters for which this Agreement or the other Loan Documents specifically and expressly provide for the giving of notice by Agent and/or Lenders 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 Agent and/or any 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 Agent and/or such Lender to Borrower.

SECTION 10.12 REMEDIES OF BORROWER.

In the event that a claim or adjudication is made that Agent or any Lender or its agents have acted unreasonably or unreasonably delayed acting in any case where, by law or under this Agreement or the other Loan Documents, Agent or such Lender or such agent, as the case may be, has an obligation to act reasonably or promptly, Borrower's sole remedy shall be limited to commencing an action seeking injunctive relief or declaratory judgment and neither Agent nor such Lender nor its agents shall be liable for any monetary damages unless in a final judgment of a court having jurisdiction, it is determined that Agent or such Lender not only acted unreasonably but arbitrarily and capriciously and in bad faith as well. Any action or proceeding to determine whether Agent or a Lender has acted reasonably shall be determined by an action seeking declaratory judgment. Any expedited procedure legally available with such a declaratory judgment action or action for injunctive relief may be utilized to the extent possible.

SECTION 10.13 EXPENSES; INDEMNITY.

(a) Borrower shall pay or, if Borrower fails to pay, shall reimburse Agent upon receipt of notice and demand from Agent, for all reasonable costs and expenses (including reasonable attorneys' fees and disbursements) incurred by Agent in connection with (i) Borrower's ongoing performance of and compliance with Borrower's agreements and covenants contained in this Agreement and the other Loan Documents on its part to be performed or complied with after the Closing Date, including, without limitation, confirming compliance with environmental and insurance requirements; (ii) Agent's ongoing performance of and compliance with all agreements and covenants contained in this Agreement and the other Loan Documents on its part to be performed or complied with after the Closing Date; (iii) the preparation for and consummation of the transactions contemplated hereby or by the other Loan Agreements or for the performance hereof and of the other Loan Documents, and for any services which may be required in addition to those normally and reasonably contemplated hereby and thereby or which may be required in the negotiation, preparation, execution and delivery of any consents, amendments, waivers or other modifications to this Agreement and the other Loan Documents and any subordination, non-disturbance and attornment agreement or lease approvals, the release of Residential Units or other documents or matters requested by Borrower; (iv) the filing and recording fees and expenses, title insurance and reasonable fees and

expenses of counsel for providing to Agent all required legal opinions, and other similar expenses incurred, in creating and perfecting the Liens in favor of Agent pursuant to this Agreement and the other Loan Documents; (v) 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 (vi) 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; provided, however, that Borrower shall not be liable for the payment of any such costs and expenses to Agent to the extent the same arise by reason of the gross negligence, illegal acts, fraud or willful misconduct of Agent.

(b) Borrower shall indemnify, defend and hold harmless Agent and each Lender, each participant in the Loan, and their respective officers, directors, partners, employees and agents (each, an "INDEMNIFIED PARTY") from and against, and shall reimburse the affected Indemnified Party for, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, the reasonable fees and expenses of counsel for Agent in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not Agent shall be designated a party thereto) (collectively, "LOSSES"), that may be imposed on, incurred by, or asserted against such Indemnified Party in any manner relating to or arising out of (i) any breach by Borrower of its obligations under, or any material misrepresentation by Borrower contained in, this Agreement or the other Loan Documents, (ii) the use or intended use of the proceeds of the Loan or (iii) any other matter arising from this Agreement or the Loan (collectively, the "INDEMNIFIED LIABILITIES"); provided, however, that Borrower shall not have any obligation to such Indemnified Party hereunder to the extent that such Indemnified Liabilities arise from the gross negligence, illegal acts, fraud or willful misconduct of such Indemnified Party. To the extent that the undertaking to indemnify, defend and hold harmless set forth in the preceding sentence may be unenforceable because it violates any law or public policy, Borrower shall pay the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Indemnified Liabilities incurred by such Indemnified Party.

(c) In case any such claim, action or proceeding (a "CLAIM") is brought against an Indemnified Party in respect of which indemnification may be sought by such Indemnified Party pursuant hereto, Agent shall give prompt written notice thereof to Borrower, which notice shall include all documents and information in the possession of or under the control of Agent and such Indemnified Party relating to such Claim and shall specifically state that indemnification for such Claim is being sought under this Section 10.13; provided, however, that the failure of Agent to so notify Borrower shall not limit or affect such Indemnified Party's rights to be indemnified pursuant to this Section 10.13 except to the extent Borrower is materially prejudiced by such failure. Upon receipt of such notice of Claim (together with such documents and information from Agent and such Indemnified Party), Borrower shall, at its sole cost and expense, in good faith defend any such Claim with counsel reasonably satisfactory to Agent and such Indemnified Party (it being understood that counsel selected by Borrower's insurance carrier shall be deemed to be acceptable to Agent and such Indemnified Party, provided such insurer is an acceptable

insurer under the Loan Documents or otherwise was accepted by Agent as an insurer), which counsel may, without limiting the rights of Agent and such Indemnified Party pursuant to the next succeeding sentence of this Section 10.13, also represent Borrower in such investigation, action or proceeding. In the alternative, such Indemnified Party may elect to conduct its own defense through counsel of its own choosing and at the reasonable expense of Borrower, if (A) such Indemnified Party reasonably determines that the conduct of its defense by Borrower could be materially prejudicial to its interests, (B) Borrower refuses to defend, or (C) Borrower shall have failed, in such Indemnified Party's reasonable judgment, to defend the Claim in good faith (unless such Claim is being defended by Borrower's insurance carrier, provided such insurer is an acceptable insurer under the Loan Documents or otherwise was accepted by Agent as an insurer). Borrower may settle any Claim against such Indemnified Party without such Indemnified Party's consent, provided (i) such settlement is without any liability, cost or expense whatsoever to such Indemnified Party, (ii) the settlement does not include or require any admission of liability or culpability by such Indemnified Party under any federal, state or local statute or regulation, whether criminal or civil in nature and (iii) Borrower obtains an effective written release of liability for such Indemnified Party from the party to the Claim with whom such settlement is being made, which release must be reasonably acceptable to such Indemnified Party, and a dismissal with prejudice with respect to all claims made by the party against such Indemnified Party in connection with such Claim. Agent and such Indemnified Party shall reasonably cooperate with Borrower, at Borrower's sole cost and expense, in connection with the defense or settlement of any Claim in accordance with the terms hereof. If Borrower refuses to defend any Claim or fails to defend such Claim in good faith (other than a Claim that is being defended by Borrower's carrier, provided such insurer is an acceptable insurer under the Loan Documents or otherwise was accepted by Agent as an insurer) and such Indemnified Party elects to defend such Claim by counsel of its own choosing Borrower shall be responsible for any good faith settlement of such Claim entered into by such Indemnified Party. If such Indemnified Party reasonably determines that the conduct of its defense by Borrower could be materially prejudicial to its interests and elects to defend such Claim by counsel of its own choosing, Borrower shall be responsible for any reasonable settlement of such Claim entered into by such Indemnified Party. Except as provided in the preceding two (2) sentences, no Indemnified Party may pay or settle any Claim and seek reimbursement therefor under this Section 10.13. Nothing contained herein shall be construed as requiring Agent or any Indemnified Party to expend funds or incur costs to defend any Claim in connection with the matters for which Agent or any Indemnified Party is entitled to indemnification pursuant to this Section 10.13. The obligations of Borrower hereunder shall specifically include the obligation to expend its own funds, to incur costs in its own name and to perform all actions as may be necessary to protect Agent or any other Indemnified Party from the necessity of expending its own funds, incurring cost or performing any actions in connection with the matters for which Agent or such other Indemnified Party is entitled to indemnification hereunder.

SECTION 10.14 SCHEDULES AND EXHIBITS INCORPORATED.

The Schedules and Exhibits 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 10.15 OFFSETS, COUNTERCLAIMS AND DEFENSES.

Any assignee of Agent's or any Lender's interest in and to this Agreement 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 10.16 NO JOINT VENTURE OR PARTNERSHIP; NO THIRD PARTY BENEFICIARIES.

(a) Borrower, Agent and Lenders 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 Agent or Lenders nor to grant Agent or Lenders 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 Agent and Lenders and nothing contained in this Agreement or the other Loan Documents shall be deemed to confer upon anyone other than Agent and Lenders 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 Lenders to make Advances of the Building Loan hereunder are imposed solely and exclusively for the benefit of Agent and Lenders and no other Person shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that Agent or Lenders will refuse to make Advances of the Building 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 Agent on behalf of Lenders if, in Agent's sole discretion, Agent deems it advisable or desirable to do so. In addition, no Lender is the agent or representative of Borrower and this Agreement shall not make any Lender liable to any Trade Contractor or any other 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 any Lender and any Trade Contractor or any other Person supplying any work, labor or materials for the Improvements.

SECTION 10.17 PUBLICITY.

(a) All news releases, publicity or advertising by Borrower or its Affiliates through any media intended to reach the general public which refers to the Loan Documents or the financing evidenced by the Loan Documents shall be subject to the prior reasonable approval of Agent except with respect to disclosures that are required by law or applicable stock exchange regulations.

(b) Agent shall have the right, subject to the prior reasonable approval of Borrower except where disclosure is required by law or applicable banking regulations, to issue

news releases, and publicize and/or advertise the fact that it has provided financing with respect to the Property and in connection therewith Agent shall have the right to photograph and use pictures of the Property in any such advertisements, brochures, print, media and other copy.

(c) At Agent's request, Borrower, at Borrower's cost and expense, shall erect a suitable sign or signs at the Property in a location clearly visible to the public which shall indicate that financing for the Property is being provided by Agent and Lenders and otherwise publicize Agent's and each Lender's role in the financing. Borrower shall provide Agent with a sign diagram showing the design plans and specifications for such sign, and it shall be subject to Agent's prior written approval (not to be unreasonably withheld). Agent shall coordinate the placement and maintenance of such signs on the Property, and no Lender shall have any independent right to display any signs on the Property. If after the initial sign is erected at the Property, Agent requests that Borrower make any changes in such sign to reflect new Lenders or otherwise and Borrower otherwise reasonably approves such change, such changes to such sign shall be made by Borrower at Lenders' cost and expense. Borrower shall have the right to remove any such sign after the construction barricade at the Property is removed and shall have the right, from time to time, at Borrower's cost and expense, to change any such sign to accommodate construction requirements provided that as so changed, the sign shall continue to publicize Agent's and each Lender's role in the financing in a manner reasonably comparable to that provided by the sign prior to such change.

SECTION 10.18 [RESERVED.]

SECTION 10.19 WAIVER OF OFFSETS/DEFENSES/COUNTERCLAIMS.

Borrower hereby waives the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by Agent or Lenders or their agents or otherwise to offset any obligations to make the payments required by the Loan Documents. No failure by Agent or Lenders to perform any of its obligations hereunder shall be a valid defense to, or result in any offset against, any payments which Borrower is obligated to make under any of the Loan Documents.

SECTION 10.20 CONFLICT; CONSTRUCTION OF DOCUMENTS; RELIANCE.

In the event of any conflict between the provisions of this Agreement and any of the other Building 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 Building Loan Documents and that such Building Loan Documents shall not be subject to the principle of construing their meaning against the party that drafted same. Borrower acknowledges that, with respect to the Building Loan, Borrower shall rely solely on its own judgment and advisors in entering into the Building Loan without relying in any manner on any statements, representations or recommendations of Agent or any Lender or any parent, subsidiary or affiliate of Agent or such Lender. Neither Agent nor any Lender shall be subject to any limitation whatsoever in the exercise of any rights or remedies available to it under any of the Building 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 Agent or such 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 Agent's and/or Lenders' exercise of any such rights or remedies. Borrower acknowledges that Agent and each Lender engages in the business of real estate financings and other real estate transactions and investments that may be viewed as adverse to or competitive with the business of Borrower or its Affiliates.

SECTION 10.21 BROKERS AND FINANCIAL ADVISORS.

Borrower hereby represents that it has dealt with no financial advisors, brokers, underwriters, placement agents, agents or finders in connection with the transactions contemplated by this Agreement. Borrower shall indemnify, defend and hold each Indemnified Party and its officers and directors harmless from and against any Losses in any way relating to or arising from a Claim by any Person that such Person acted on behalf of Borrower in connection with the transactions contemplated herein. The provisions of this Section 10.21 shall survive the expiration and termination of this Agreement and the payment of the Total Debt.

SECTION 10.22 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, including, without limitation, the Summary of Terms and Conditions dated April 25, 2002 between Borrower and Lender, are superseded by the terms of this Agreement and the other Loan Documents.

SECTION 10.23 JOINT AND SEVERAL LIABILITY.

If Borrower is comprised of more than one Person, all representations, warranties, covenants (both affirmative and negative) and all other obligations hereunder shall be the joint and several obligation of each entity making up Borrower and a Default or Event of Default by any such Person shall be deemed a Default or Event of Default by all such entities and Borrower. The representations, covenants and warranties contained herein or in any other Building Loan Document shall be read to apply to the individual entities comprising Borrower when the context so requires but a breach of any such representation, covenant or warranty or a breach of any obligation under the Building Loan Documents shall be deemed a breach by all such entities and Borrower, entitling Agent and/or Lenders, as applicable, to exercise all of their rights and remedies under all the Building Loan Documents and under applicable law. Notwithstanding anything to the contrary herein contained, except as provided in any Guaranty or in the Environmental Indemnity, no direct or indirect member of Residential Owner or Commercial Owner, nor any principal, director, officer or employee of any such member, shall have any personal liability under the Loan Documents.

SECTION 10.24 ASSIGNMENTS.

(a) Borrower may not assign this Agreement or any of its rights or obligations hereunder without the prior approval of Agent.

(b) No Lender shall assign, transfer, sell, pledge or hypothecate all or any portion of its rights in and to the Loans to any other Person (a Person to which any such assignment, transfer or sale is made in accordance with this Article X being an "ASSIGNEE"):

(i) without the prior written consent of Agent, which consent shall not be unreasonably withheld and shall not be required if the Assignee is an Affiliate of such Lender and provided that such Lender shall not be released from its continuing obligations hereunder after such assignment to its Affiliate;

(ii) so long as no Event of Default shall exist, unless the Assignee is an Affiliate of such Lender or is an Eligible Assignee, and provided that such Lender shall not be released from its continuing obligations hereunder after such assignment to its Affiliate;

(iii) unless such transaction shall be an assignment of a constant and not a varying, ratable percentage of such Lender's interest in the Loan;

(iv) unless the aggregate principal amount of the Loan which is the subject of such transaction is Five Million Dollars (\$5,000,000) or more;

(v) unless, after giving effect to such transaction, such Lender's aggregate unassigned interest in the Loan shall be in a principal amount of at least Five Million Dollars (\$5,000,000) unless such transaction encompasses all of such Lender's rights in and to the Loan in which case such Lender shall have assigned all of its rights in and to the Loan; and

(vi) in the case of an assignment, the parties to each such assignment shall execute and deliver to Agent, for its acceptance and recording the Agent's Register, Agent's form of assignment and acceptance agreement attached hereto as SCHEDULE XIII, with appropriate completions (each, an "ASSIGNMENT AND ACCEPTANCE"), together with a processing and registration fee of \$2,500, which fee shall cover Agent's cost in connection with the assignments under this Agreement.

(c) If an Event of Default has occurred and is continuing, subject to Section 11.4(f), Borrower's consent to any assignment or participation to any party whatsoever shall not be required and all parties hereto agree to promptly execute and file an amendment to this Agreement reflecting any such assignment. Furthermore, if within seven (7) Business Days after receiving a request pursuant to subparagraph (b) above for its consent to any assignment or participation by any Lender, Borrower shall not have either consented or withheld its consent (specifying the reasons therefor), then such consent shall be deemed to have been given.

(d) Borrower agrees to execute, within ten (10) days after request therefor is made by Agent, any documents and/or estoppel certificates reasonably requested by Agent in connection with such participation or assignment, without charge; provided that such documents and/or estoppel certificates do not expand the liability or obligations of Borrower or reduce assignee's or participant's obligations.

(e) Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance, (x) the assignee thereunder shall be a party thereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party thereto).

(f) Agent shall maintain a register (the "AGENT'S REGISTER") showing the identity of the Lenders from time to time. The entries in the Agent's Register shall be conclusive, in the absence of manifest error, and Borrower, Agent and the Lenders may (and, in the case of any portion of the Loan or other obligation hereunder not evidenced by a Note, shall) treat each Person whose name is recorded in the Register as the owner of such portion of the Loan or other obligation hereunder as the owner thereof for all purposes of this Agreement and the other Loan Documents, notwithstanding any notice to the contrary. Any assignment of any portion of the Loan or other obligation hereunder not evidenced by a Note shall be effective only upon appropriate entries with respect thereto being made in the Register. The Register shall be available for inspection by Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(g) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an Assignee (and, in the case of an Assignee that is not then a Lender or an affiliate thereof, by Borrower and Agent) together with payment to Agent of a registration and processing fee of \$2,500, Agent shall (i) promptly accept such Assignment and Acceptance and (ii) on the effective date determined pursuant thereto record the information contained therein in the Agent's Register and give notice of such acceptance and recordation to the Lenders and Borrower.

(h) Borrower authorizes each Lender to disclose to any participant or Assignee of such Lender (each, a "TRANSFeree") and any prospective Transferee any and all financial information in such Lender's possession concerning Borrower and its Affiliates which has been delivered to such Lender by or on behalf of Borrower pursuant to this Agreement or which has been delivered to such Lender by or on behalf of Borrower in connection with such Lender's credit evaluation of Borrower and its Affiliates prior to becoming a party to this Agreement, provided that any disclosure of Bloomberg's financial statements may only be made in accordance with the terms of the Bloomberg Lease and subject to the confidentiality requirements thereof with respect to the same.

(i) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this Section concerning assignments relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by a Lender of any Loan or Note to any Federal Reserve Bank in accordance with applicable law.

(j) Borrower agrees that after the effective date under such Assignment and Acceptance, upon the request to Agent by any Lender, Borrower shall execute and deliver to such Lender one or more substitute notes of Borrower evidencing such Lender's Ratable Share of the Building Loan, Supplemental Loan and Project Loan, respectively, in substantially the same form as the Building Loan Note, Supplemental Loan Note and Project Loan Note, respectively, with appropriate insertions as to payee and principal amount. Each such substitute note shall be dated as of the Closing Date.

(k) Notwithstanding anything to the contrary contained in this Agreement, HVB and Agent hereby agree for the benefit of Borrower that provided no Event of Default exists, HVB shall not assign, without the consent of Borrower (which consent shall not be unreasonably withheld or delayed), a portion of the Loan which shall result in the Ratable Share of HVB in its capacity as a Lender being less than, for so long as Lenders continue to have any further funding obligations hereunder, One Hundred One Million and No/100 (\$101,000,000) Dollars of the Maximum Loan Commitment.

(l) Notwithstanding anything to the contrary contained in this Agreement, Borrower shall not be responsible for the costs incurred by any Lender, Assignee or Agent in connection with any such Assignment and Acceptance.

(m) Notwithstanding anything to the contrary contained in this Agreement or the other Loan Documents, Borrower consents to any assignment of the Loan to Vornado or to any Person that is, directly or indirectly, wholly-owned by Vornado.

SECTION 10.25 ADJUSTMENTS; SET-OFF.

(a) If any Lender (a "BENEFITED LENDER") shall at any time receive any payment of all or part of its Ratable Share of the Loan, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 9.1(a)(viii), or otherwise including pursuant to subsection (b) below), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Ratable Share of the Loan, or interest thereon, such benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Loan, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefited Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. Borrower agrees that each Lender so purchasing a portion of another Lender's Ratable Share of the Loan may exercise all rights of payment (including, without limitation, rights of set-off) with respect to such portion as fully as if such Lender were the direct holder of such portion.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to Borrower, any such notice being expressly waived by Borrower to the extent permitted by applicable law, upon any amount becoming due

and payable by Borrower hereunder (whether at the stated maturity, by acceleration or otherwise) after the occurrence of an Event of Default to set-off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of Borrower. Each Lender agrees promptly to notify Borrower and Agent after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application.

SECTION 10.26 COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute together but one and the same agreement.

XI. AGENT

SECTION 11.1 PERFORMANCE BY AGENT.

If an Event of Default shall have occurred and be continuing, Agent shall have the right, but not the duty, without limitation, upon any of Agent's rights pursuant hereto, to perform the obligations of Borrower which are the subject of the Event of Default, in which event Agent shall endeavor to give notice to Borrower of Agent's performance, and Borrower agrees to pay to Agent, within five (5) days of demand therefor, all actual and reasonable costs and expenses incurred by Agent in connection therewith, including without limitation reasonable attorneys' fees, together with interest from the date of expenditure at the Default Rate, if an Event of Default shall have given rise to such expenditure. Upon demand by Agent each of the Lenders shall promptly advance to Agent in immediately available funds its ratable portion of the funds expended by Agent in curing such Event of Default together with interest thereon at the Default Rate from the date of Agent's payment through the date prior to the date on which such advance is received by Agent.

SECTION 11.2 ACTIONS.

If Agent shall have reasonable cause to believe that any action or proceeding related to the Property could, if adversely determined, have a material adverse effect upon the rights or interests of Agent and/or Lenders under this Agreement or any of the other Building Loan Documents, Agent shall have the right to commence, appear in and defend such action or proceeding, and in connection therewith Agent may pay necessary expenses, employ counsel, and pay reasonable attorneys' fees. Borrower agrees to pay to Agent, within thirty (30) days (or if an Event of Default has occurred and is continuing, within five (5) days) after demand therefor by Agent, all actual and reasonable costs and expenses incurred by Agent in connection therewith, including without limitation reasonable attorneys' fees, together with interest from the date of expenditure at the Default Rate, if an Event of Default shall have given rise to such action or proceeding. Borrower's obligations to repay such expenses shall be secured by the Building Loan Documents.

SECTION 11.3 NONLIABILITY OF AGENT AND LENDERS.

Borrower acknowledges and agrees that:

(a) any inspections of the construction of the Improvements made by or through Agent or Lenders are for purposes of administration of the Loan only and Borrower is not entitled to rely upon the same with respect to the quality, adequacy or suitability of materials or workmanship, conformity to the Plans and Specifications, state of completion or otherwise; Borrower shall make its own inspections of such construction to determine that the quality of the Improvements and all other requirements of such construction are being performed in a manner satisfactory to Borrower and in conformity with the Plans and Specifications and all other requirements; and Borrower shall immediately notify Agent, in writing, should the same not be in conformity with the Plans and Specifications and all other requirements;

(b) by accepting or approving anything required to be observed, performed, fulfilled or given to Agent or Lenders pursuant to the Loan Documents, including any certificate, statement of profit and loss or other financial statement, survey, appraisal, lease or insurance policy, neither Agent nor Lenders shall be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof and such acceptance or approval thereof shall not constitute a warranty or representation to anyone with respect thereto by Agent;

(c) neither Agent nor Lenders undertake nor assume any responsibility or duty to Borrower to select, review, inspect, supervise, pass judgment upon or inform Borrower of any matter in connection with the Property, including, without limitation, matters relating to the quality, adequacy or suitability of: (i) the Plans and Specifications, (ii) architects, contractors, subcontractors and materialmen employed or utilized in connection with the construction of the Improvements, or the workmanship of or the materials used by any of them, or (iii) the progress or course of construction and its conformity or nonconformity with the Plans and Specifications; and Borrower shall rely entirely upon its own judgment with respect to such matters, and any review, inspection, supervision, exercise of judgment or supply of information to Borrower by Agent or Lenders in connection with such matters is for the protection of Agent and/or Lenders only and neither Borrower nor any third party is entitled to rely thereon;

(d) neither Agent nor Lenders owe any duty of care to protect Borrower against negligent, faulty, inadequate or defective building or construction; and

(e) neither Agent nor any Lender shall be directly or indirectly liable or responsible for any loss, claim, cause of action, liability, indebtedness, damage or injury of any kind or character to any person or property arising from any construction on, or occupancy or use of, any of the Property, including without limitation any loss, claim, cause of action, liability, indebtedness, damage or injury caused by, or arising from: (i) any defect in any building, structure, grading, fill, landscaping or other improvements, thereon or in any on-site or off-site improvement or other facility therein or thereon; (ii) any act or omission of Borrower, the parties comprising Borrower or any of Borrower's agents, employees, independent contractors, licensees or invitees; (iii) any accident in or on the Land and Improvements or any fire, flood or other casualty or hazard thereon; (iv) the failure of Borrower, any of Borrower's licensees,

employees, invitees, agents, independent contractors or other representatives to maintain the Property in a safe condition; and (v) any nuisance made or suffered on any part of the Property.

SECTION 11.4 AUTHORIZATION AND ACTION.

(a) Each Lender hereby appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to Agent by the terms hereof, together with such powers as are reasonably incidental thereto. Any and all actions relating to construction of the Improvements, including without limitation, approval of changes to the Loan Budget, Plans and Specifications, contracts and subcontracts and Payment and Performance Bonds, shall be deemed to have been delegated to Agent exclusively and shall not constitute a Major Decision requiring the approval of any other Lender. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of the Note), Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Lenders, and such instructions shall be binding upon all Lenders; provided, however, that Agent shall not be required to take any action which exposes Agent to personal liability or which is contrary to this Agreement or applicable law. Agent agrees to give to each Lender prompt notice of each material notice given to it by Borrower pursuant to the terms of the Loan Documents.

(b) By their execution of this Agreement, all of the Lenders hereby authorize and direct Agent to act on their behalf in all respects in connection with the Loan Documents and the making of the Loan (but subject to paragraph (e) below) and agree with Borrower that Borrower shall only be required to and shall only deal with Agent and each of the Lenders shall be bound by any acts of Agent.

(c) Except as otherwise expressly provided in this Agreement, Agent (i) shall take all such actions hereunder and under the other Loan Documents which are not inconsistent with the terms hereof or thereof as the Majority Lenders shall instruct and (ii) shall not take any material actions hereunder or under the Loan Documents contrary to the instructions of the Majority Lenders (and shall be fully protected in so acting or refraining from acting upon such instructions) and such instructions shall be binding upon all Lenders; provided, however, that the Majority Lenders shall not have the right to require any Lender to fund its Ratable Share of any amount which is Advanced in excess of the total amount of the Loan. Any provision of this Agreement which grants to Agent the right to make a decision at its sole discretion or in its reasonable judgment or at its option or any other similar provision is intended, unless the context shall clearly require otherwise, to apply only to relations between Borrower and Agent and the respective rights and obligations of Borrower and Agent hereunder and shall not apply to the relations between Agent and the Lenders or the respective rights and obligations of Agent and the Lenders hereunder.

(d) Promptly after Agent acquires actual knowledge thereof, Agent will give written notice to each Lender of any Lien on the Property or material Default under this Agreement or any of the other Loan Documents which in Agent's judgment adversely affects any of the Lenders' interests in the Loan. Agent agrees to consult with Lenders in respect of any material remedial action to be taken in respect of any such Default and shall act substantially in

accordance with any decision of the Majority Lenders (and shall be fully protected in so acting). Agent agrees that during a period of forty-five (45) days from Agent's notice to Lenders of any such Default, Agent will not take any such material remedial action without the prior agreement of the Majority Lenders unless in Agent's good faith judgment it is necessary to take more prompt remedial action within such period, with or without the agreement of the Majority Lenders, in order to preserve any collateral for the payment of the Loan or substantive rights or remedies under any of the Loan Documents. Agent shall advise Lenders from time to time of such remedial action as Agent shall have taken. Notwithstanding the foregoing, if the Majority Lenders do not agree on the action to be taken, except as expressly set forth in this Section, Agent reserves the right, in its sole discretion, in each instance, without prior notice to Lenders, to consent to any action or failure to act by Borrower, and to exercise or refrain from exercising any powers or rights Agent may have under or in respect of this Agreement or any of the other Loan Documents relative thereto or any collateral therefor, which would be reasonable. All losses and expenses incurred by Agent in connection with the Loan, the enforcement thereof or the realization of the security therefor shall be borne by the Lenders in accordance with their ratable interest in the Loan, and Lenders will, upon request, reimburse Agent for their Ratable Shares of any expenses incurred by Agent in connection with any such default, any advances made to pay Taxes or Insurance Premiums or Other Charges or otherwise to preserve the lien of the Supplemental Loan Mortgage, Building Loan Mortgage or Project Loan Mortgage or to preserve and protect the Property or made to effect the completion of the Improvements to be constructed pursuant to this Agreement (provided that Agent shall not advance sums in excess of the principal amount of the Supplemental Loan Mortgage, Building Loan Mortgage or Project Loan Mortgage for completion of the Improvements without the prior written consent of the Majority Lenders), any other expenses incurred in connection with the enforcement of the Supplemental Loan Mortgage, Building Loan Mortgage or Project Loan Mortgage, and any expenses incurred by Agent in connection with the consummation of the Loan not paid or provided for by Borrower.

(e) Except as otherwise provided in this Agreement, any provision of this Agreement or the other Loan Documents may be modified or supplemented only by an instrument in writing signed by Borrower and Agent and any provisions of this Agreement or the other Loan Documents may be waived by Agent, provided that no modification, supplement or waiver shall, unless by an instrument signed by all of the Lenders or by Agent acting with the consent of all of the Lenders, (i) increase or extend the term of the Loan except as otherwise expressly provided in this Agreement, (ii) extend the date fixed for the payment of principal or interest on the Loan or the amount of any fee payable hereunder (other than the Administrative Fee), (iv) reduce the amount of any such payment of principal or of any such fee, (iii) reduce the rate at which interest is payable on the Loan, (v) alter the terms of Section 10.25 or this Section 11.4, (vi) release, substitute or exchange any material portion of the collateral for the Loan except in accordance with the provisions of the Loan Documents related thereto, (vii) modify the definition of the term "Majority Lenders" or modify in any other manner the number or percentage of the Lenders required to make any determinations or receive any rights hereunder or to modify any provision hereof or of any other Loan Document, (viii) modify or waive the Debt Service Coverage Ratio or Loan-to-Value requirements set forth herein, including without limitation modify the definition of the term "Debt Service Coverage Ratio" or "Loan-to-Value," (ix) release any Guarantor or any other Person liable on the Loan from any of their material obligations with respect to the Loan or the completion of the Improvements,

(x) subordinate the Liens created by the Loan Documents to any other liens securing indebtedness of Borrower or otherwise, (any such modification, supplement or waiver described in this clauses (i) through (xi) and any other action that expressly requires the consent of all Lenders hereunder is herein referred to as a "MAJOR DECISION"); and provided further, that any modification or supplement of Article XI hereof, or of any of the rights or duties of Agent hereunder, shall require the consent of Agent. The provisions of this subsection are solely for the benefit of the Lenders and Agent and shall not create any rights in Borrower. The provisions of this subsection are solely for the benefit of the Lenders and Agent and shall not create any rights in Borrower.

(f) Provided Majority Lenders have designated a successor agent as provided below, Majority Lenders shall have the right to remove Agent for cause, by written notice to Borrower and Agent to be effective as to Borrower only if, as and when such notice is actually received by Borrower and Agent. If Agent shall resign as administrative agent hereunder or under the other Loan Documents (which Agent may so resign upon thirty (30) days written notice to Borrower and each Lender), or if the Majority Lenders shall remove Agent, then the Majority Lenders shall designate another Lender to perform the obligations and exercise the rights of Agent hereunder. The successor Agent shall assume such obligations in writing and from and after Borrower's receipt of a copy of notice of such replacement and receipt of a copy of such assumption the successor Agent shall be the sole Agent hereunder and the term "AGENT" shall thereafter refer to such successor. Notwithstanding the foregoing, HVB agrees for the benefit of Borrower that it shall not resign as Agent prior to the Initial Maturity Date for so long as (i) Lenders continue to have any further funding obligations hereunder, (ii) no Event of Default exists, (iii) HVB is generally engaged in the business of being an administrative agent for construction loans in the United States and (iv) the other Lenders do not have the right to remove HVB as Agent for cause as provided herein.

SECTION 11.5 AGENT'S RELIANCE, ETC.

Agent shall administer this Agreement and the other Loan Documents and service the Loan in accordance with the terms and conditions of this Agreement and with the same degree of care as Agent would use in servicing a loan of similar size and type held for its own account; provided, however, that none of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, Agent: (i) may consult with legal counsel (including counsel for Borrower), independent public accountants and other experts selected and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of Borrower or to inspect the Property (including the books and records) of Borrower; (iv) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (v) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other

instrument or writing (which may be by telecopier, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 11.6 AGENT AS A LENDER.

With respect to Agent's ownership interest in the Loan and the Loan Documents as a Lender, Agent in its capacity as a Lender shall have the rights and powers of a Lender under this Agreement and the other Loan Documents as set forth herein and therein and may exercise the same as though it were not Agent.

SECTION 11.7 DISTRIBUTION OF PAYMENTS BY AGENT TO LENDERS.

Agent shall promptly distribute to each Lender its Ratable Share of any payment on account of principal or interest or any extension fee received by Agent by credit to an account of such Lender at Agent or by wire transfer to an account of such Lender in accordance with written wiring instructions received by Agent from such Lender, or to such other Person or in such other manner as such Lender may designate, provided any other designated account is maintained at a commercial bank located in the United States of America. If any payments are received by Agent after 11:00 a.m. (New York time), then provided Agent shall not be able to distribute to each Lender its Ratable Share of any such payment on the same day as such payment is received by Agent, Agent shall hold such payment to the extent not so distributed for the benefit of the respective Lenders ratably, shall invest any such Lender's Ratable Share not so distributed in overnight federal funds for the benefit of such Lender and such Lender shall be entitled to receive its Ratable Share of such payment together with interest earned thereon on the following Business Day. The provisions of this Section 11.7 are subject to the terms and conditions set forth in Section 2.10.4(c) as to any Defaulting Lender.

SECTION 11.8 ASSIGNMENT UPON REPAYMENT

Upon repayment or prepayment of the Loan in full by Borrower in accordance with the terms of this Agreement and the other Loan Documents, Lenders shall, on a one-time basis, assign the Note and Agent shall assign the Mortgage, each without recourse, covenant or warranty of any nature, express or implied, (except if any Lender is not delivering the original Note, in which case such Lender shall execute and deliver a "lost note affidavit" in its customary form with respect to the copy of its Note) to such new mortgagee designated by Borrower (other than Borrower or a nominee of Borrower); provided that Borrower (i) has caused to be paid the reasonable out-of-pocket expenses of Agent and Lenders incurred in connection therewith and Agent's and Lenders' reasonable attorneys' fees for the preparation, delivery and performance of such an assignment, (ii) has caused the delivery of an executed Statement of Oath under Section 275 of the New York Real Property Law; and (iii) has provided such other information and documents which a prudent mortgagee would reasonably require to effectuate such assignment. Borrower shall be responsible for all mortgage recording taxes (if any), recording fees and other charges payable in connection with any such assignment.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized representatives, all as of the day and year first above written.

BORROWER:

731 COMMERCIAL LLC, a Delaware limited liability company

By: 731 Commercial Holding LLC,
a Delaware limited liability company,
as member

By: Alexander's, Inc., a Delaware corporation, member

By:/s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President-
Finance and Administration

731 RESIDENTIAL LLC, a Delaware limited liability company

By: 731 Residential Holding LLC,
a Delaware limited liability company,
as member

By: Alexander's, Inc., a Delaware corporation, member

By:/s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President-
Finance and Administration

AGENT:

BAYERISCHE HYPO- UND
VEREINSBANK AG, NEW YORK
BRANCH

By:/s/ Robert Dowling

Name: Robert Dowling
Title: Managing Director

By:/s/ Anthony Mugno

Name: Anthony Mugno
Title: Director

LENDER[S]:

BAYERISCHE HYPO- UND
VEREINSBANK AG, NEW YORK
BRANCH

By:/s/ Robert Dowling

Name: Robert Dowling
Title: Managing Director

By:/s/ Anthony Mugno

Name: Anthony Mugno
Title: Director

Lending Office:

622 Third Avenue
29th Floor
New York, New York 10017
Attention: Real Estate Lending

[ADD OTHER LENDERS NAMES AND APPLICABLE
LENDING OFFICES]

PROJECT LOAN AGREEMENT

Dated as of July 3, 2002

Between

731 COMMERCIAL LLC and 731 RESIDENTIAL LLC,
collectively, as Borrower,

and

BAYERISCHE HYPO- UND VEREINSBANK AG,
NEW YORK BRANCH,
as Agent,

and

THE LENDERS NAMED HEREIN,
as Lenders

TABLE OF CONTENTS

	Page

I. DEFINITIONS; PRINCIPLES OF CONSTRUCTION	
Section 1.1 Definitions.....	1
Section 1.2 Principles of Construction.....	13
II. THE LOAN	
Section 2.1 The Loan and Advances.....	13
2.1.1 Agreement to Lend and Borrow.....	13
2.1.2 No Reborrowings.....	14
2.1.3 The Note.....	14
2.1.4 Use of Proceeds.....	14
2.1.5 Loan Term and Extension Options.....	14
2.1.6 Intentionally Omitted.....	15
2.1.7 Intentionally Omitted.....	15
2.1.8 Advances.....	15
2.1.9 Intentionally Omitted.....	15
2.1.10 Intentionally Omitted.....	15
2.1.11 Intentionally Omitted.....	15
2.1.12 Intentionally Omitted.....	15
2.1.13 Required Equity.....	15
Section 2.2 Interest Rate.....	16
2.2.1 Interest.....	16
2.2.2 Minimum Amounts and Maximum Number of Interest Periods.....	17
2.2.3 Certain Notices.....	17
2.2.4 Additional Costs.....	18
2.2.5 LIBO Rate.....	20
2.2.6 Illegality.....	20
2.2.7 Breakage Costs.....	21
2.2.8 Withholding Taxes.....	21
Section 2.3 Usury Savings.....	22
2.3.1 Usury Savings.....	22
Section 2.4 Loan Payments.....	22
2.4.1 Payment Before Maturity Date.....	22
2.4.2 Payment on Maturity Date.....	22
2.4.3 Late Payment Premium.....	22
2.4.4 Interest Rate and Payment After Default.....	23
2.4.5 Method and Place of Payment.....	23
Section 2.5 Prepayment.....	23
2.5.1 Voluntary Prepayments.....	23
2.5.2 Mandatory Prepayments.....	24

	2.5.3	Miscellaneous.....	24
Section 2.6		Payments Not Conditional.....	24
	2.6.1	Payments Not Conditional.....	24
Section 2.7		Conditions Precedent.....	24
	2.7.1	Conditions Precedent.....	24
Section 2.8		Intentionally Omitted.....	25
Section 2.9		Conditions Precedent to Disbursement of Project Loan Proceeds.....	25
	2.9.1	Conditions of Advances.....	25
	2.9.2	Intentionally Omitted.....	28
	2.9.3	Intentionally Omitted.....	28
	2.9.4	No Reliance.....	28
Section 2.10		Borrowing Procedures.....	29
	2.10.1	Draw Requests.....	29
	2.10.2	One Advance Per Month.....	29
	2.10.3	Intentionally Omitted.....	29
	2.10.4	Procedure of Advances.....	29
	2.10.5	Funds Advanced.....	31
	2.10.6	Direct Advances to Third Parties.....	31
	2.10.7	Intentionally Omitted.....	31
	2.10.8	Advances Do Not Constitute a Waiver.....	31
	2.10.9	Intentionally Omitted.....	31
	2.10.10	Intentionally Omitted.....	31
	2.10.11	Advances and Disbursements Under Completion Guaranty.....	31

III. REPRESENTATIONS AND WARRANTIES

Section 3.1		Borrower Representations.....	31
	3.1.1	Organization.....	31
	3.1.2	Proceedings.....	31
	3.1.3	No Conflicts.....	32
	3.1.4	Litigation.....	32
	3.1.5	Governmental Orders.....	32
	3.1.6	Consents.....	32
	3.1.7	Title.....	32
	3.1.8	No Plan Assets.....	32
	3.1.9	Compliance.....	32
	3.1.10	Financial and Other Information.....	32
	3.1.11	Condemnation.....	32
	3.1.12	Utilities and Public Access.....	32
	3.1.13	Separate Lots.....	32
	3.1.14	Assessments.....	33
	3.1.15	Enforceability.....	33
	3.1.16	Assignment of Leases.....	33
	3.1.17	Insurance.....	33
	3.1.18	Licenses.....	33
	3.1.19	Flood Zone.....	33

3.1.20	Physical Condition.....	33
3.1.21	Boundaries.....	33
3.1.22	Leases.....	33
3.1.23	Filing and Recording Taxes.....	33
3.1.24	Single Purpose.....	34
3.1.25	Tax Filings.....	34
3.1.26	Solvency.....	34
3.1.27	Federal Reserve Regulations.....	34
3.1.28	Mezzanine Debt.....	34
3.1.29	Offices; Location of Books and Records.....	34
3.1.30	Intentionally Omitted.....	34
3.1.31	Construction Management Agreements.....	34
3.1.32	Access.....	34
3.1.33	No Default.....	34
3.1.34	Architect's Contract.....	34
3.1.35	Plans and Specifications.....	34
3.1.36	Zoning.....	34
3.1.37	Budget.....	35
3.1.38	Feasibility.....	35
3.1.39	Subway Agreement.....	35
3.1.40	Bloomberg Lease.....	35
3.1.41	Condominium Documents.....	35
3.1.42	Unit Contracts.....	35
3.1.43	ZLDA.....	35
3.1.44	Full and Accurate Disclosure.....	35
3.1.45	Foreign Person.....	35
3.1.46	Investment Company Act.....	35
3.1.47	Organizational Structure.....	35
3.1.48	Tax Certificates.....	36
3.1.49	Inclusionary Housing Program.....	36
Section 3.2	Continuing Effectiveness and Survival of Representations.....	36

IV. BORROWER COVENANTS

Section 4.1	Borrower Affirmative Covenants.....	36
4.1.1	Existence; Compliance with Legal Requirements.....	36
4.1.2	Taxes and Other Charges.....	36
4.1.3	Litigation.....	36
4.1.4	Access to Property.....	36
4.1.5	Further Assurances; Supplemental Mortgage Affidavits.....	37
4.1.6	Financial Reporting.....	37
4.1.7	Title to the Property.....	37
4.1.8	Estoppel Statement.....	37
4.1.9	Leases.....	38
4.1.10	Alterations.....	38
4.1.11	Financial Covenants.....	38

4.1.12	Updated Appraisal.....	38
4.1.13	Facility Fee and Administrative Fee.....	38
4.1.14	Interest Rate Protection Agreement.....	38
4.1.15	Intentionally Omitted.....	38
4.1.16	Intentionally Omitted.....	38
4.1.17	Insurance.....	38
4.1.18	Intentionally Omitted.....	38
4.1.19	Project Loan Costs and Expenses.....	38
4.1.20	Fees.....	38
4.1.21	Intentionally Omitted.....	39
4.1.22	Intentionally Omitted.....	39
4.1.23	Intentionally Omitted.....	39
4.1.24	Construction Consultant/Duties and Access.....	39
4.1.25	Intentionally Omitted.....	39
4.1.26	Books and Records.....	39
4.1.27	Indebtedness.....	39
4.1.28	Maintain Existence.....	39
4.1.29	Bonds.....	39
4.1.30	Financing Publicity.....	39
4.1.31	Easements and Restrictions; Zoning.....	40
4.1.32	Laborers, Subcontractors and Materialmen.....	40
4.1.33	Ownership of Personalty.....	40
4.1.34	Comply with Other Project Loan Documents.....	40
4.1.35	Purchase of Material Under Conditional Sale Contract.....	40
4.1.36	Further Assurance of Title.....	40
4.1.37	Condominium.....	40
4.1.38	Tax Benefits.....	40
4.1.39	Inclusionary Housing Program.....	40
4.1.40	ERISA.....	40
4.1.41	Intentionally Omitted.....	40
4.1.42	Intentionally Omitted.....	41
4.1.43	REA.....	41
Section 4.2	Borrower Negative Covenants.....	41
4.2.1	Due on Sale and Encumbrance; Transfers of Interests.....	41
4.2.2	Liens.....	41
4.2.3	Dissolution.....	41
4.2.4	Change in Business.....	41
4.2.5	Debt Cancellation.....	41
4.2.6	Affiliate Transactions.....	41
4.2.7	Zoning.....	41
4.2.8	Assets.....	41
4.2.9	No Joint Assessment.....	41
4.2.10	Principal Place of Business.....	41
4.2.11	ERISA.....	41
4.2.12	No Distributions.....	41
4.2.13	Change Orders.....	41

4.2.14	Indebtedness.....	42
4.2.15	Organizational Documents.....	42
V. INSURANCE, CASUALTY AND CONDEMNATION		
5.1.1	Insurance Coverage.....	42
5.1.2	Intentionally Omitted.....	42
5.1.3	Intentionally Omitted.....	42
Section 5.2	Casualty and Condemnation.....	42
Section 5.3	Delivery of Net Proceeds.....	42
VI. NET CASH FLOW FUNDS		
Section 6.1	Deposits of NCF Funds.....	42
Section 6.2	Intentionally Omitted.....	42
Section 6.3	Security Interest in Funds.....	42
Section 6.4	Cash Management.....	42
VII. PROPERTY MANAGEMENT AND REA		
Section 7.1	The Management Agreement.....	43
Section 7.2	Prohibition Against Termination or Modification.....	43
Section 7.3	Replacement of Manager.....	43
VIII. TRANSFERS		
Section 8.1	Agent's and Lenders' Reliance.....	43
Section 8.2	No Transfers.....	43
Section 8.3	Permitted Transfers.....	43
8.3.1	Permitted Transfers.....	43
IX. DEFAULTS		
Section 9.1	Events of Default.....	45
Section 9.2	Rights and Remedies of Agent and Lenders.....	45
9.2.1	Remedies.....	45
9.2.2	Power of Attorney.....	48
9.2.3	Remedies Cumulative.....	49
9.2.4	Annulment of Defaults.....	49
9.2.5	Waivers.....	49
9.2.6	Course of Dealing, Etc.....	49
Section 9.3	Remedies Cumulative.....	50

X. MISCELLANEOUS

Section 10.1	Successors and Assigns.....	50
Section 10.2	Agent's and Lender's Discretion.....	50
Section 10.3	Governing Law, Jurisdiction and Agent for Service.....	50
Section 10.4	Modification, Waiver in Writing.....	52
Section 10.5	Delay Not a Waiver.....	52
Section 10.6	Notices.....	52
Section 10.7	Trial by Jury.....	52
Section 10.8	Headings.....	53
Section 10.9	Severability.....	53
Section 10.10	Preferences.....	53
Section 10.11	Waiver of Notice.....	53
Section 10.12	Remedies of Borrower.....	53
Section 10.13	Expenses; Indemnity.....	54
Section 10.14	Schedules and Exhibits Incorporated.....	54
Section 10.15	Offsets, Counterclaims and Defenses.....	54
Section 10.16	No Joint Venture or Partnership; No Third Party Beneficiaries.....	54
Section 10.17	Publicity.....	54
Section 10.18	Reserved.....	54
Section 10.19	Waiver of Offsets/Defenses/Counterclaims.....	54
Section 10.20	Conflict; Construction of Documents; Reliance.....	55
Section 10.21	Brokers and Financial Advisors.....	55
Section 10.22	Prior Agreements.....	55
Section 10.23	Joint and Several Liability.....	55
Section 10.24	Assignments.....	56
Section 10.25	Adjustments; Set-Off.....	58
Section 10.26	Counterparts.....	58

XI. AGENT

Section 11.1	Performance by Agent.....	59
Section 11.2	Actions.....	59
Section 11.3	Nonliability of Agent and Lenders.....	59
Section 11.4	Authorization and Action.....	59
Section 11.5	Agent's Reliance, Etc.....	62
Section 11.6	Agent as a Lender.....	62
Section 11.7	Distribution of Payments by Agent to Lenders.....	62
Section 11.8	Assignment Upon Repayment.....	63

Index to Schedules and Exhibits

SCHEDULES

SCHEDULE I - Lenders' Ratable Share

EXHIBITS

EXHIBIT A The Land

PROJECT LOAN AGREEMENT

THIS PROJECT LOAN AGREEMENT, dated as of July 3, 2002 (as amended, restated, replaced, supplemented or otherwise modified from time to time, this "AGREEMENT"), between 731 COMMERCIAL LLC ("COMMERCIAL OWNER") and 731 RESIDENTIAL LLC ("RESIDENTIAL OWNER"), each a Delaware limited liability company, having its principal place of business at 888 Seventh Avenue, New York, New York 10019, collectively as Borrower ("Borrower"), and BAYERISCHE HYPO- UND VEREINSBANK AG, NEW YORK BRANCH, a German banking corporation organized under the laws of the Federal Republic of Germany, having an address at 622 Third Avenue, New York, New York 10017, as administrative agent (including any of its successors and assigns, "AGENT") for itself and the other Lenders signatory hereto (collectively, together with such other co-lenders as may exist from time to time, "LENDERS").

All capitalized terms used herein shall have the respective meanings set forth in Article I hereof.

W I T N E S S E T H:

WHEREAS, Borrower desires to obtain the Loan from Lenders; and

WHEREAS, each Lender is severally willing to make the Loan to Borrower, subject to and in accordance with the conditions and terms of this Agreement and the other Loan Documents.

NOW, THEREFORE, in consideration of the covenants set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree, represent and warrant as follows:

I. DEFINITIONS; PRINCIPLES OF CONSTRUCTION

SECTION 1.1 DEFINITIONS.

For all purposes of this Agreement, except as otherwise expressly provided, the following terms shall have the respective meanings set forth below. All other capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Building Loan Agreement.

"ADDITIONAL COSTS" shall have the meaning as set forth in Section 2.2.4(a).

"ADDITIONAL INTEREST" shall mean any and all amounts that may become due and payable by Borrower pursuant to Section 2.2.4, Section 2.2.7 or Section 2.2.8.

"ADMINISTRATIVE FEE" shall mean, collectively, (i) that portion of the "Administrative Fee" under (and as defined in) the Loan Fee Letter allocable to the Project Loan

and (ii) any additional administrative fee payable by Borrower to Agent pursuant to the Cash Collateral Agreement for any calendar month in which more than one disbursement of the Project Cash Collateral is made.

"ADVANCE" or "ADVANCES" shall mean any disbursement of the proceeds of the Project Loan by Lenders pursuant to the terms of this Agreement.

"AFFILIATE" shall mean, as to any Person, any other Person that, (i) directly or indirectly, owns more than forty percent (40%) of, (ii) is in control of, is controlled by or is under common control with such Person or (iii) is a director or officer of such Person or of an Affiliate of such Person. As used in this definition the term "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management, policies or activities of a Person, whether through ownership of voting securities, by contract or otherwise.

"AGENT" shall mean Bayerische Hypo- und Vereinsbank AG, New York Branch, a German banking corporation organized under the laws of the Federal Republic of Germany, together with its permitted successors and assigns, acting in its capacity as administrative agent to the Lenders hereunder and under the other Loan Documents.

"AGENT'S REGISTER" shall have the meaning as set forth in Section 10.23.

"AGREEMENT REGARDING INSTRUCTIONS GIVEN BY TELEPHONE OR FACSIMILE" shall mean the Agreement Regarding Instruction Given by Telephone or Facsimile, dated the date hereof, which shall be in the form attached to the Building Loan Agreement as SCHEDULE XVII and shall be executed and delivered by Borrower to Agent contemporaneously herewith.

"ALEXANDER'S" shall mean Alexander's Inc., a Delaware corporation, together with its successors and assigns.

"ALTA" shall mean American Land Title Association, or any successor thereto.

"APPLICABLE INTEREST RATE" shall mean either (i) the LIBO Adjusted Rate plus the LIBOR Margin with respect to any period when the Loan (or the applicable portion thereof) is a LIBOR Loan or (ii) the Base Rate plus the Base Rate Margin with respect to any period when the Loan (or the applicable portion thereof) is a Base Rate Loan.

"APPLICABLE LENDING OFFICE" shall mean the related "Lending Office" of each Lender (or of an Affiliate of such Lender) designated for such Lender on the signature page hereof or such other Office of Lender (or of an Affiliate of Lender) as each Lender may from time to time specify to Borrower as the office by which the Loan is to be made and/or maintained by such Lender.

"APPROVAL", "APPROVED", "APPROVAL" or "APPROVED" shall mean, as the context so determines, an approval in writing given to the party seeking approval, subject, nevertheless, to the express provisions of this Agreement for which a "deemed approval mechanism" (as defined in Section 10.6 of the Building Loan Agreement) is set forth.

"ASSIGNMENT AND ACCEPTANCE" shall have the meaning as set forth in Section 10.24(b)(vi).

"ASSIGNMENT OF CONTRACTS" shall mean that certain Assignment of Contracts, Licenses and Permits, dated the date hereof, from Borrower, as assignor, to Agent, as assignee.

"ASSIGNMENT OF INTEREST RATE PROTECTION AGREEMENT" shall mean that certain Assignment of Interest Rate Protection Agreement among Borrower, Agent and the Counterparty to the related Interest Rate Protection Agreement, to be entered into pursuant to Section 4.1.14 of the Building Loan Agreement.

"ASSIGNMENT OF LEASES" shall mean, collectively, the Building Loan Assignment of Leases, the Supplemental Loan Assignment of Leases and the Project Loan Assignment of Leases.

"AUTHORIZED REPRESENTATIVES" shall mean those Persons authorized pursuant to the Requisition Authorization Statement to execute and deliver on behalf of Borrower Borrower's Requisition.

"BASE RATE" shall mean, as determined on a daily basis, the rate of interest per annum equal to the greater of (i) the Prime Rate in effect on that day or (ii) the Federal Funds Rate in effect on that day plus one half (-1/2) of one (1%) percent per annum.

"BASE RATE LOAN(S)" shall mean Loan(s) (or applicable portions thereof) having a rate of interest per annum equal to the Base Rate plus the Base Rate Margin.

"BASE RATE MARGIN" shall mean three quarters (3/4) of one (1%) percent per annum, provided that the "Base Rate Margin" shall be reduced and shall mean one quarter (1/4) of one (1%) percent per annum during the Extension Periods.

"BORROWER" shall mean, collectively and individually as the context requires, Commercial Owner and Residential Owner, together with their respective permitted successors and permitted assigns.

"BORROWER'S DESIGNATED ACCOUNT" shall mean the bank account designated by Borrower pursuant to Borrower's Requisition Letter as the checking account at HVB or such other account as may be acceptable to Agent into which Advances shall be wired.

"BORROWER'S REQUISITION" shall have the meaning as set forth in Section 2.10.1.

"BORROWING DATE" shall have the meaning as set forth in Section 2.10.1.

"BUILDING LOAN" shall mean the loan made by Lenders to Borrower pursuant to the Building Loan Agreement in the principal amount of up to the Building Loan Amount.

"BUILDING LOAN AGREEMENT" shall mean that certain Building Loan Agreement, dated the date hereof, among Agent, Lenders and Borrower.

"BUILDING LOAN AMOUNT" shall mean Two Hundred Million and No/100 (\$200,000,000.00) Dollars.

"BUILDING LOAN BUDGET" shall mean the budget (which may be set forth by way of a separate column on an overall project budget) for total estimated Building Loan Costs, dated the date hereof, prepared by Borrower and approved by Agent and the Construction Consultant, and all amendments and modifications thereto that occur in accordance with this Agreement.

"BUILDING LOAN COSTS" shall mean all costs and expenses of constructing the Improvements (including Hard Costs and Soft Costs) which are Costs of the Improvements.

"BUSINESS DAY" shall mean any day (other than a Saturday or Sunday) on which commercial banks are not authorized or required to close in New York City and, whenever such day relates to a LIBOR Loan, any such day on which dollar deposits are also carried out in the London interbank market and banks are also open for business in London, England.

"CASH COLLATERAL" shall have the meaning as set forth in the Cash Collateral Agreement.

"CASH COLLATERAL AGREEMENT" shall mean that certain Cash Collateral Agreement dated as of the date hereof between Borrower and Agent.

"CLOSING DATE" shall mean the date of funding the Initial Advance of the Building Loan.

"COUNTERPARTY" shall mean each counterparty to, or issuer of, any Interest Rate Protection Agreement other than Borrower or an Affiliate of Borrower.

"DEBT" shall mean the outstanding principal amount of the Project Loan together with all interest accrued and unpaid thereon and all other sums (including, without limitation, any amounts payable to Lenders pursuant to Section 2.2) due to Lenders in respect of the Project Loan under the Project Loan Note, this Agreement, the Project Loan Mortgage, the Environmental Indemnity or any other Project Loan Document.

"DEFAULT" shall mean the occurrence of any event under this Agreement or under any other Loan Document which, but for the giving of notice or passage of time, or both, would be an Event of Default.

"DEFAULT RATE" shall mean the rate of interest per annum equal to the sum of the Base Rate plus 5%.

"DEFAULTING LENDER" has the meaning as set forth in Section 2.10.4(c).

"DEFICIENCY" or "DEFICIENCIES" has the meaning as set forth in Section 2.10.4(c).

"DISBURSEMENT SCHEDULE" shall mean the schedule of the amounts of Advances anticipated to be requisitioned by Borrower each month during the term of the Building Loan dated as of the date hereof.

"DRAW REQUEST" shall mean, with respect to each Advance, Borrower's request for such Advance, and documents required by this Agreement to be furnished to Agent as a condition to such Advance.

"ELIGIBLE ASSIGNEE" shall mean (i) any lender to Vornado or any of its Affiliates pursuant to its existing Revolving Credit Agreement (as defined in the Guaranty of Completion) (whether or not such Revolving Credit Agreement shall hereafter remain in effect), or pursuant to any replacement credit facility, (ii) GMAC and (iii) any other lender that is approved by Borrower, which approval shall not be unreasonably withheld or delayed.

"EUROCURRENCY LIABILITIES" shall have the meaning specified in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time and including any successor regulation thereto.

"EVENT OF DEFAULT" shall have the meaning as set forth in Section 9.1.

"EXCLUDED TAXES" means, with respect to Agent, each Lender or any other recipient of any payment to be made by or on account of any obligation of Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of such Lender, in which its Applicable Lending Office is located, and (b) any branch profits taxes imposed by the United States of America or any similar law imposed by any other jurisdiction in which Borrower is located.

"EXTENSION PERIOD" shall mean each of the First Extension Period and the Second Extension Period.

"FEDERAL FUNDS RATE" shall mean, for any period, a fluctuating interest rate per annum (based on a 360 day year) equal, for each day of such period, to the rate of interest quoted at 11:00 a.m. New York time charged on overnight federal funds transactions with member banks of the Federal Reserve System.

"FIRST EXTENDED MATURITY DATE" shall mean January 3, 2007.

"FIRST EXTENSION NOTICE" shall have the meaning set forth in Section 2.1.5 of the Building Loan Agreement.

"FIRST EXTENSION PERIOD" shall mean a period of twelve (12) consecutive months following the Initial Maturity Date.

"FUNDING STATEMENT" shall mean that certain funding statement to be executed and delivered by Borrower in connection with the closing of the Loan in the form attached to the Building Loan Agreement as SCHEDULE XIII.

"GUARANTOR" shall mean each of Vornado and Alexander's in their capacities as the "Guarantor" under their respective Guaranties.

"GUARANTY" shall mean, collectively, the Guaranty of Completion, the Guaranty of Carrying Costs and each Guaranty of Limited Recourse Obligations.

"GUARANTY OF CARRYING COSTS" shall mean that certain Guaranty of Carrying Costs from Alexander's in favor of Agent dated the date hereof.

"GUARANTY OF COMPLETION" shall mean that certain Guaranty of Completion from Vornado in favor of Agent dated the date hereof.

"GUARANTY OF LIMITED RECOURSE OBLIGATIONS" shall mean, collectively, (i) that certain Guaranty of Limited Recourse Obligations from Alexander's in favor of Agent dated the date hereof and (ii) that certain Guaranty of Limited Recourse Obligations from Vornado in favor of Agent dated the date hereof.

"HARD COSTS" shall mean those Building Loan Costs which are for labor, materials, equipment and fixtures.

"HVB" shall mean Bayerische Hypo- und Vereinsbank AG, New York Branch, a German banking corporation organized under the laws of the Federal Republic of Germany, together with its successors and assigns.

"INDEMNIFIED LIABILITIES" shall have the meaning as set forth in Section 10.13(b) of the Building Loan Agreement.

"INDEMNIFIED PARTY" shall have the meaning as set forth in Section 10.13(b) of the Building Loan Agreement.

"INITIAL MATURITY DATE" shall mean January 3, 2006.

"INTEREST PERIOD" shall mean, with respect to any LIBOR Loan:

(a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such LIBOR Loan and ending one, two, three, six or twelve months thereafter, as selected by Borrower in its Rate Request given with respect thereto; and

(b) thereafter, each period commencing on the last day of the then expiring Interest Period applicable to such LIBOR Loan and ending one, two, three, six or twelve months thereafter, as selected by Borrower in its Rate Request; provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period pertaining to a LIBOR Loan would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period that would otherwise extend beyond the Maturity Date shall end on the Maturity Date; and

(iii) any Interest Period pertaining to a LIBOR Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the first, second, third, sixth or twelfth calendar month thereafter (as the case may be).

Notwithstanding the foregoing, the selection of the duration of any Interest Period during the initial term of the Loan shall be limited to the same interest period duration as shall pertain to the LIBOR Rate under the Interest Rate Protection Agreement.

"INTEREST RATE PROTECTION AGREEMENT" shall mean one or more interest rate caps (together with the schedules relating thereto) in form and substance reasonably satisfactory to Lender, with a confirmation from the Counterparty thereto Counterparty in the form attached to the Building Loan Agreement as EXHIBIT C-1 between Borrower and, subject to Section 4.1.11 of the Building Loan Agreement, a Counterparty reasonably acceptable to Agent with a Minimum Counterparty Rating, and all amendments, restatements, replacements, supplements and modifications thereto.

"LAND" shall mean the land more particularly described on EXHIBIT A attached hereto and includes all rights appurtenant thereto, including, without limitation, all development rights, if any, acquired by Borrower pursuant to any air rights agreements pertaining thereto.

"LIBO ADJUSTED RATE" shall mean, with respect to any Interest Period pertaining to a LIBOR Loan, the LIBO Rate for such Interest Period divided by (1 minus the Reserve Requirement) for such Interest Period.

"LIBO RATE" shall mean, with respect to any Interest Period pertaining to a LIBOR Loan, the rate of interest per annum quoted by HVB at approximately 11:00 a.m. New York time two (2) Business Days prior to the beginning of such Interest Period for the offering to leading banks in the London interbank market of dollar deposits for delivery on the first day of such Interest Period for a period equal to such Interest Period and in an amount comparable to the amount of the LIBOR Loan to be outstanding during such Interest Period.

"LIBOR LOAN(S)" shall mean Loan(s) (or applicable portions thereof) having a rate of interest per annum determined in accordance with the following formula:

$$\frac{\text{LIBO Rate}}{1.00 - \text{Reserve Requirements}} + \text{LIBOR Margin}$$

"LIBOR MARGIN" shall mean two and one half percent (2-1/2%) per annum, provided that the "LIBOR Margin" shall be reduced and shall mean two percent (2%) per annum during the Extension Periods.

"LOAN" shall mean, collectively, the Building Loan, the Supplemental Loan and the Project Loan.

"LOAN AGREEMENTS" shall mean, collectively, this Agreement, the Building Loan Agreement and the Project Loan Agreement.

"LOAN BUDGET" shall have the meaning as set forth in Section 2.1.6 of the Building Loan Agreement.

"LOAN DOCUMENTS" shall mean, collectively, the Building Loan Documents, the Supplemental Loan Documents and the Project Loan Documents.

"LOAN FEE LETTER" shall mean that certain letter agreement dated as of the date hereof between Agent and Borrower pertaining to the fees payable by Borrower to Agent and Lenders.

"LONDON BUSINESS DAY" shall mean any Business Day other than a Business Day on which commercial banks are not open for dealing in U.S. dollars in the London interbank market in London, England.

"LOSSES" shall have the meaning as set forth in Section 10.13(b) of the Building Loan Agreement.

"MAJOR DECISION" has the meaning as set forth in Section 11.4(e).

"MAJORITY LENDERS" shall mean, at any time, Lenders owed more than fifty-one percent (51%) of the then aggregate unpaid principal amount of the Loan, after subtracting the interest or interests owned by any Defaulting Lender(s).

"MATURITY DATE" shall mean January 3, 2006 or such earlier date on which the final payment of principal of the Project Loan Note becomes due and payable as therein or herein provided, whether at such stated maturity date, by declaration of acceleration, or otherwise; provided, however, that if Borrower exercises its right to extend the term of the Loan for the First Extension Period and, in accordance with the terms of this Agreement, the Building Loan Agreement and the Supplemental Loan Agreement, the term of the Loan is so extended, from and after such extension of the term of the Loan, the "MATURITY DATE" shall mean January 3, 2007, or such earlier date on which the final payment of principal of the Project Loan Note becomes due and payable as therein or herein provided, whether at such stated maturity date, by declaration of acceleration, or otherwise; and provided further that if Borrower exercises its right to extend the term of the Loan for the Second Extension Period and, in accordance with the terms of this Agreement, the Building Loan Agreement and the Supplemental Loan Agreement, the term of the Loan is so extended, from and after such extension of the term of the Loan, the "MATURITY DATE" shall mean January 3, 2008, or such earlier date on which the final payment of principal of the Project Loan 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 nonusurious 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 Project Loan Note and as provided for herein or the other Project 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.

"MINIMUM COUNTERPARTY RATING" shall mean a credit rating from S&P and Fitch of at least "A" and from Moody's of at least "A2".

"MORTGAGE" shall mean, collectively, the Supplemental Loan Mortgage, the Building Loan Mortgage and the Project Loan Mortgage.

"NOTE" shall mean, collectively, the Building Loan Note, the Supplemental Loan Note and the Project Loan Note.

"NOTICE" shall have the meaning as set forth in Section 10.6.

"OFFICER'S CERTIFICATE" shall mean a certificate delivered to Agent by Borrower which is signed by an authorized senior officer of Borrower's managing member (without personal recourse to such officer).

"OTHER DEBT" shall mean, collectively, the "Debt" as defined in each of the Building Loan Agreement and the Supplemental Loan Agreement.

"PAYMENT DATE" shall mean the date on which, pursuant to Sections 2.2.1 and 2.4.1, Borrower is obligated to make an interest payment hereunder.

"PERMITTED TRANSFERS" shall have the meaning as set forth in Section 8.3.

"PERSON" shall mean any individual, corporation, partnership, limited liability company, joint venture, estate, trust, unincorporated association, any other entity, 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.

"PRIME RATE" shall mean, as determined on a daily basis, the rate of interest publicly announced by HVB in New York from time to time as its prime commercial lending rate. The prime rate is not intended to be the lowest rate of interest charged by HVB in connection with extensions of credit to debtors.

"PROJECT CASH COLLATERAL" shall have the meaning set forth in the Cash Collateral Agreement.

"PROJECT CASH COLLATERAL ACCOUNT" shall have the meaning set forth in the Cash Collateral Agreement.

"PROJECT LOAN" shall mean the loan being made by Lenders to Borrower with respect to the Property that is the subject of this Agreement.

"PROJECT LOAN ASSIGNMENT OF LEASES" shall mean that certain third priority Assignment of Leases and Rents, dated the date hereof, from Borrower, as assignor, to Agent, as assignee, as amended and/or restated from time to time, in conjunction with the filing the consolidated Project Loan Mortgage.

"PROJECT LOAN COSTS" shall mean those costs and expenses in connection with the construction of the Improvements which are set forth in the Loan Budget and are not Costs of the Improvement.

"PROJECT LOAN DOCUMENTS" shall mean, collectively, this Agreement, the Project Loan Note, the Project Loan Mortgage, the Project Loan Assignment of Leases, the Assignment of Contracts, the Environmental Indemnity, the Loan Fee Letter, the Requisition Authorization Statement, the Funding Statement, the Agreement Regarding Instructions by Telephone or Facsimile, the Guaranty of Completion, the Guaranty of Carrying Costs, each Guaranty of Limited Recourse Obligations, the Assignment of Interest Rate Protection Agreement when executed and delivered pursuant to the Building Loan Agreement, the Assignment of Negotiable Certificates, the Intercreditor and Subordination Agreement, the Cash Collateral Agreement, as well as all other documents now or hereafter executed and/or delivered with respect to the Project Loan.

"PROJECT LOAN MORTGAGE" shall mean a series of amended, restated and consolidated mortgages (which shall have amended, restated and consolidated the Spread Mortgages), together constituting a third priority consolidated, amended and restated mortgage, assignment of leases and rents and security agreement, executed and delivered by Borrower, as mortgagor, to Agent, as mortgagee, as security for the Project Loan and encumbering the Property.

"PROJECT LOAN NOTE" shall have the meaning as set forth in Section 2.1.3.

"PROPERTY" shall mean the Land, the Improvements now or hereafter erected thereon and all personal property owned by Borrower and encumbered by the Project Loan Mortgage, together with all rights pertaining to such property and Improvements, as more particularly described in the Granting Clauses of the Project Loan Mortgage, and shall exclude any Residential Unit (and the appurtenant common elements) from and after the release of such Residential Unit from the liens of the Building Loan Mortgage, the Supplemental Loan Mortgage and the Project Loan Mortgage.

"QUALIFYING CONTRACT" shall mean a contract for the sale of any Unit that satisfies the requirements of Section 4.1.37(g)(iii) of the Building Loan Agreement.

"RATABLE SHARE" or "RATABLY" shall mean, with respect to any Lender, its share of the Loan based on the proportion of the outstanding principal of the Loan advanced by such Lender to the total outstanding principal amount of the Loan. The Ratable Share of each Lender on the date of this Agreement is set forth on SCHEDULE I.

"RATE REQUEST" shall mean Borrower's irrevocable telephonic notice (to be promptly confirmed in writing), to be received by Agent by 11:00 a.m. New York time three (3) Business Days prior to the date specified in the Rate Request for the commencement of the Interest Period (which specified date must be a Business Day), of: (a) its intention to have (i) all or any portion of the principal amount under the Note which is not then the subject of an Interest Period (other than an Interest Period which is terminating on the Business Day specified in the notice), and/or (ii) all or any portion of any advance of proceeds of the Loan evidenced by the

Note, which is to be made on the Business Day specified in the notice, bear interest as either a Base Rate Loan or a LIBOR Loan; and (b) the Interest Period desired by Borrower in respect of the amount specified whenever such notice is for LIBOR Loans.

"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 of the Board of Governors of the Federal Reserve System) applying to a class of banks including any Lenders or the adoption or making after such date of any interpretation, directive or request applying to a class of banks including any Lenders 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.

"REQUISITION AUTHORIZATION STATEMENT" shall mean the Requisition Authorization Statement dated the date hereof, which shall be in the form attached to the Building Loan Agreement as SCHEDULE XVIII and shall be executed and delivered by Borrower to Agent contemporaneously herewith.

"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 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 eurocurrency funding (currently referred to as "EUROCURRENCY LIABILITIES" in Regulation D) required to be maintained by the applicable Lender or its Participants, if any. Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by any Lender or any Lender's respective Participants, if any, by reason of any Regulatory Change against (i) any category of liabilities which includes deposits by reference to which the LIBO Rate is to be determined as provided in this Agreement or (ii) any category of extensions of credit or other assets which includes loans the interest rate on which is determined on the basis of rates used in determining the LIBO Rate.

"RESIDENTIAL OWNER" shall mean 731 Residential LLC, a Delaware limited liability company, together with its permitted successors and assigns.

"SECOND EXTENDED MATURITY DATE" shall mean January 3, 2008.

"SECOND EXTENSION NOTICE" shall have the meaning as set forth in Section 2.1.5 of the Building Loan Agreement.

"SECOND EXTENSION PERIOD" shall mean a period of twelve (12) consecutive months following the First Extended Maturity Date.

"SEVERED LOAN DOCUMENTS" shall have the meaning as set forth in Section 9.2.1(c).

"SOFT COSTS" shall mean those Building Loan Costs which are not Hard Costs, including, but not limited to, architect's, engineer's and construction manager's fees, interest on the Building Loan, recording taxes and title charges in respect of the Building Loan Mortgage, and Other Charges, Insurance Premiums and such other non-construction costs as are part of the "cost of improvement" as defined under the Lien Law.

"SPREAD MORTGAGE" shall mean a mortgage securing indebtedness in the principal amount of a requested Advance hereunder, which mortgage shall have been spread to encumber the Property.

"SPREAD MORTGAGE NOTE" shall mean, with respect to a Spread Mortgage, the mortgage note secured thereby.

"SPREADSHEET" shall have the meaning as set forth in Section 2.9.1(e)(xiii).

"STATE" shall mean the State or Commonwealth in which the Property or any part thereof is located.

"SUPPLEMENTAL CASH COLLATERAL" shall have the meaning set forth in the Cash Collateral Agreement.

"SUPPLEMENTAL LOAN" shall mean the loan being made by Lenders to Borrower with respect to the Property that is the subject of the Supplemental Loan Agreement.

"SUPPLEMENTAL LOAN AGREEMENT" shall mean that certain Supplemental Loan Agreement dated as of even date herewith among Agent, Lenders and Borrower.

"SUPPLEMENTAL LOAN ASSIGNMENT OF LEASES" shall have the meaning as set forth in the Supplemental Loan Agreement.

"SUPPLEMENTAL LOAN COSTS" shall mean those Building Loan Costs set forth in the Loan Budget which are to be funded out of Loan Proceeds in excess of \$145,000,000 for Hard Costs and \$55,000,000 for Soft Costs.

"SUPPLEMENTAL LOAN DOCUMENTS" shall have the meaning as set forth in the Supplemental Loan Agreement.

"SUPPLEMENTAL LOAN MORTGAGE" shall have the meaning as set forth in the Supplemental Loan Agreement.

"SUPPLEMENTAL LOAN NOTE" shall have the meaning as set forth in the Supplemental Loan Agreement.

"SURVEY" shall mean a survey of the Property prepared by a surveyor licensed in the State and satisfactory to Agent and the company or companies issuing the Title Insurance Policy, and containing a certification of such surveyor satisfactory to Agent.

"TITLE COMPANY" shall mean, collectively, the title insurance companies listed on SCHEDULE XXX to the Building Loan Agreement, which are insuring the Liens of the Mortgage.

"TITLE INSURANCE POLICY" shall mean the ALTA mortgagee title insurance policies issued by Commonwealth Land Title Insurance Company and pursuant to "Me-Too" Endorsements the other Title Companies in the form (acceptable to Agent) issued with respect to the Property and insuring the Lien of the Project Loan Mortgage.

"TOTAL DEBT" shall mean, collectively, the Debt and Other Debt.

"TRANSFER" shall have the meaning as set forth in the Project Loan Mortgage.

"TREASURY RATE" shall mean, as of the time in question, the yield, calculated by linear interpolation rounded to the nearest one-thousandth of one percent (i.e., 0.001%) of the yields of noncallable United States Treasury obligations with terms of ten (10) years from such date of determination, as determined by Agent on the basis of Federal Reserve Statistical Release H.15-Selected Interest Rates under the heading U.S. Governmental Security/Treasury Constant Maturities, or other recognized source of financial market information selected by Agent.

"VORNADO" shall mean Vornado Realty L.P., a Delaware limited partnership, together with its successors and assigns.

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. 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, 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). 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.

II. THE LOAN

SECTION 2.1 THE LOAN AND ADVANCES.

2.1.1 AGREEMENT TO LEND AND BORROW. (a) Subject to and upon the terms and conditions set forth herein, Lenders severally and not jointly agree to make Advances of the Project Loan to Borrower from time to time, in accordance with the provisions hereof, during the

period from the date hereof to the Maturity Date, and Borrower shall accept the Advances of the Project Loan from Lenders, in an aggregate principal amount of up to SEVENTY FOUR MILLION SIX HUNDRED EIGHTY THREE THOUSAND ONE HUNDRED EIGHTY TWO AND NO/100 DOLLARS (\$74,683,182).

(b) No Lender is obligated to fund amounts in excess of its Ratable Share of the Project Loan Amount as set forth on SCHEDULE I, but if the Project Loan Amount is increased or Agent makes funds available in excess of the total Project Loan Amount, each Lender shall have the right to elect at its own discretion whether to provide funds to Agent to fund amounts in excess of the Project Loan Amount. If and to the extent any Lender shall fund amounts in excess of the Project Loan Amount for any purpose, such Lender's Ratable Share of the Project Loan shall be adjusted from time to time based on the total amounts advanced by all of Lenders from time to time in respect of the Project Loan.

2.1.2 NO REBORROWINGS. Any amount borrowed and repaid hereunder in respect of the Project Loan may not be reborrowed.

2.1.3 THE NOTE. The Project Loan shall be evidenced by one or more consolidated, amended and restated project loan notes, made by Borrower to each Lender in the respective principal amounts of the related Lender's Ratable Share of the Project Loan, and all of which notes shall collectively be in the aggregate principal amount of SEVENTY FOUR MILLION SIX HUNDRED EIGHTY THREE THOUSAND ONE HUNDRED EIGHTY TWO AND NO/100 DOLLARS (\$74,683,182) (collectively, as the same may be amended, supplemented, restated, increased, extended and consolidated, substituted or replaced from time to time, the "PROJECT LOAN NOTE") and shall be repaid in accordance with the terms of this Agreement and the Project Loan Note.

2.1.4 USE OF PROCEEDS. The proceeds of the Project Loan shall be used to acquire by assignment the Spread Mortgages and the Spread Mortgage Notes when the same are spread to encumber the Property, which Spread Mortgages and Spread Mortgage Notes shall be amended and restated to be on the terms set forth in the Project Loan Mortgage and the Project Loan Note, all in accordance with and subject to the terms of this Agreement. The consideration to be paid to Borrower to permit the spreading of such Spread Mortgages to the Property shall be deposited in the Collateral Account as hereinafter provided and disbursed in accordance with the terms of the Cash Collateral Agreement to pay or reimburse Borrower for Project Loan Costs actually incurred in connection with the construction of the Improvement if and to the extent that such Project Loan Costs are reflected in the Project Loan Budget, subject to reallocation pursuant to Sections 2.1.7 and 4.2.13 of the Building Loan Agreement (or other reallocations approved by Agent in its sole discretion).

2.1.5 LOAN TERM AND EXTENSION OPTIONS. (a) The term of the Project Loan shall commence on the Closing Date and shall end on January 3, 2006, unless extended as hereinafter provided.

(b) Borrower shall have an option to extend the term of the Building Loan, the Project Loan and the Project Loan until the First Extended Maturity Date, subject to satisfaction of the conditions set forth in Section 2.1.5(b) of the Building Loan Agreement

(c) In addition, provided that Borrower shall have previously exercised its option to extend the term of the Loan for the First Extension Period, Borrower shall have a further option to extend the term of the Loan as previously extended, until the Second Extended Maturity Date, subject to satisfaction of the conditions set forth in Section 2.1.5(c) of the Building Loan Agreement.

2.1.6 INTENTIONALLY OMITTED.

2.1.7 INTENTIONALLY OMITTED.

2.1.8 ADVANCES. Lenders shall not be required to disburse proceeds of the Project Loan to acquire a Spread Mortgage and accompanying Spread Mortgage Note for any more than the amount of the outstanding principal balance of such Spread Mortgage provided that such amount shall not exceed by more than \$10,000,000 the amount that Borrower has requisitioned for and is entitled to as a disbursement of Cash Collateral from the consideration being paid to Borrower in connection with the spreading of such Spread Mortgage to the Property and the consideration being paid to Borrower in connection with the spreading of any Spread Mortgage to the Property which is acquired with proceeds of the Supplemental Loan. No Lender is obligated to fund amounts in excess of its Ratable Share of the Project Loan Amount, but if the Project Loan Amount is increased or Agent makes funds available in excess of the total Project Loan Amount, each Lender shall have the right to elect at its own discretion whether to provide funds to Agent to fund amounts in excess of the Project Loan Amount. If and to the extent any Lender shall fund amounts in excess of the Project Loan Amount for any purpose, such Lender's Ratable Share of the Project Loan shall be adjusted from time to time based on the total amounts advanced by all of Lenders from time to time in respect of the Project Loan.

2.1.9 INTENTIONALLY OMITTED.

2.1.10 INTENTIONALLY OMITTED.

2.1.11 INTENTIONALLY OMITTED.

2.1.12 INTENTIONALLY OMITTED.

2.1.13 REQUIRED EQUITY. (a) All Required Equity shall be contributed (i.e., expended by Borrower and invested in the Property for Building Loan Costs and Project Loan Costs or any other approved cost in connection with the construction of the Improvements) and all Project Cash Collateral shall be disbursed before any Advances of the Project Loan (or further Advances of the Project Loan, as the case may be) shall be made.

(b) The parties acknowledge that the respective amounts of the Project Loan and the Project Supplemental Loan may require reallocation after Borrower has contributed its Required Equity depending upon the amount of Required Equity in fact used to pay for Project Loan Costs versus Building Loan Costs. The parties agree to enter into such amendments to this Agreement, the Supplemental Loan Agreement and the other Loan Documents as may be reasonably required to reallocate the respective amounts of the Project Loan and the Supplemental Loan, it being understood that the amount of the Project Loan together with the amount of the Supplemental Loan shall in no event exceed \$290,000,000 and it being intended

that the amount of the Project Loan shall equal the amount of Project Loan Costs to be funded out of Project Cash Collateral (as defined in the Cash Collateral Agreement) rather than Required Equity.

SECTION 2.2 INTEREST RATE.

2.2.1 INTEREST.

(a) Applicable Interest Rate. The outstanding principal amount of the Project Loan shall bear interest, as provided below, at the Applicable Interest Rate from time to time in effect based upon the LIBO Adjusted Rate or the Base Rate, as Borrower may select as provided below, and Borrower may convert any portion of the principal amount of the Project Loan from one type to another as provided herein; provided, that the portion of the principal amount of the Project Loan converted as aforesaid shall not be less than the minimum amount set forth in Section 2.2.2.

(b) Computation of Interest and Fees. All interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed to the relevant Payment Date, including the first day and excluding the last day (i.e., the relevant Payment Date) and shall be payable in arrears on the first Business Day of the calendar month immediately following the Closing Date and, thereafter, monthly on the first Business Day of each calendar month during the term of the Loan. If a LIBOR Loan or a Base Rate Loan is repaid on the same day on which it is made one (1) day's interest shall be paid on such Loan as well as any amounts payable pursuant to Section 2.2.7. Any change in the Prime Rate or the Federal Funds Rate shall be effective as of the day on which such change in rate occurs. Each determination of an interest rate by Agent pursuant to any provision of this Agreement shall be conclusive and binding on Borrower in the absence of manifest error. Notwithstanding the foregoing, interest payable at the Default Rate following an Event of Default shall be payable from time to time on demand of Agent and in any event, upon the payment or prepayment of any principal of any portion of the Loan, accrued, unpaid interest on the principal amount so paid or prepaid shall be due and payable.

(c) Conversion and Continuation Options.

(i) Base Rate Loan to LIBOR Loan. Subject to the provisions of Section 2.2.2, Borrower may elect pursuant to a Rate Request to convert all or any portion of the outstanding Base Rate Loan to LIBOR Loans provided that no Loan may be converted to a LIBOR Loan: (i) when any Event of Default has occurred under any of the Loan Documents and is continuing and Agent has determined that such a conversion is not appropriate; or (ii) after the date which is one month prior to the Maturity Date.

(ii) LIBOR Loan to Base Rate Loan. Borrower may elect pursuant to a Rate Request to convert all or any portion of the outstanding LIBOR Loans upon the expiration date of its then current Interest Period to a Base Rate Loan.

(iii) LIBOR Loan to LIBOR Loan. Subject to the provisions of Section 2.2.2, any LIBOR Loan may be continued upon the expiration date of its then current Interest Period by Borrower pursuant to a Rate Request, provided that no LIBOR Loan may be

continued: (i) when any Event of Default has occurred and is continuing and Agent has determined that such a continuation is not appropriate or (ii) after the date that is one month prior to the Maturity Date. If Borrower fails to submit a Rate Request to Agent in accordance with the provisions of this paragraph, the outstanding LIBOR Loan shall automatically be continued as a one month LIBOR Loan unless the remaining term of the Loan is less than one month in which case the outstanding LIBOR Loan shall automatically be continued as a Bate Rate Loan.

2.2.2 MINIMUM AMOUNTS AND MAXIMUM NUMBER OF INTEREST PERIODS. All borrowings, conversions and continuations of the Loan and all selections of Interest Periods, except for borrowings for interest on the Loan and/or fees and expenses of Agent and Lenders, shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of each LIBOR Loan shall be at least equal to \$1,000,000. No more than six (6) LIBOR Loan Interest Periods and one (1) Base Rate Loan in the aggregate may be outstanding at any time under this Agreement, the Building Loan Agreement and the Project Loan Agreement and the Note.

2.2.3 CERTAIN NOTICES. Notices by Borrower to Agent of borrowings hereunder, optional prepayments of the Project Loan, selection of the duration of Interest Periods, and conversion to or continuation of a LIBOR Loan or a Base Rate Loan shall be irrevocable and shall be effective only if received by Agent in writing or telephonically not later than 11:00 a.m. New York time (and if telephonically, also confirmed in writing by 5:00 p.m. New York time) on the number of Business Days prior to the date of the relevant occurrence specified below:

Notice -----	Prior Notice Requirements -----
Borrowing (including initial selection of Base Rate Loan/LIBOR Loan/Cost of Funds Rate Loan/Interest Period for each borrowing)	3 London Business Days for LIBOR Loan 1 Business Day for Base Rate Loan (and, with respect to the Initial Advance only, if a LIBOR Loan)
Optional Prepayment	5 Business Days
Selection of duration of Interest Period	3 London Business Days
Conversion to LIBOR Loan or Base Rate Loan or continuation as LIBOR Loan	3 London Business Days

Each notice of optional prepayment shall specify the amount of the Building Loan to be prepaid, the date of prepayment (which shall be a Business Day) and such other details as Agent may

reasonably request. Notwithstanding the foregoing or anything else to the contrary contained herein, Agent and Lenders shall have the right to apply any prepayment of the Loan, regardless of how specified by Borrower, in such order and priority as between the Building Loan, the Supplemental Loan and the Project Loan as Agent shall designate in its sole discretion. Borrower hereby acknowledges that it is Agent's and Lenders' expectation that prepayments shall be applied first in payment of the Project Loan, then in payment of the Supplemental Loan and, lastly, in payment of the Building Loan.

2.2.4 ADDITIONAL COSTS. (a) If interest is based on a LIBO Adjusted Rate, Borrower shall pay to Agent from time to time, within ten (10) days after demand therefor by Agent, such amounts as each Lender may reasonably determine to be sufficient to compensate such Lender for any costs that such Lender reasonably determines are attributable to its making or maintaining of any portion of the Loan as a LIBOR Loan or its obligation to make any portion of the Loan as a LIBOR Loan hereunder, or any reduction in any amount receivable by such Lender hereunder in respect of a LIBOR Loan or such obligation (such increases in costs and reductions in amounts receivable being herein called "ADDITIONAL COSTS"), in each case resulting from and limited to the amounts necessary to compensate each Lender for any Regulatory Change (I) which affects similarly situated banks or financial institutions generally and is not applicable to such Lender primarily by reason of such Lender's particular conduct or condition and (II) which:

(i) changes the basis of taxation of any amounts payable to such Lender under this Agreement or the Note (other than Excluded Taxes); or

(ii) imposes or modifies any reserve, special deposit or similar requirements (other than the Reserve Requirement utilized in the determination of the LIBO Rate) relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Lender (including, without limitation, any such deposits referred to in the definition of "LIBO Rate"), or any commitment of such Lender (including, without limitation, the commitment of such Lender hereunder); or

(iii) imposes any other condition affecting this Agreement or the Project Loan Note (or any of such extensions of credit or liabilities referred to in subdivision (ii) above).

Notwithstanding anything to the contrary contained in this Section 2.2.4, Additional Costs may be imposed on Borrower by Agent on behalf of each Lender only if such Additional Costs are generally being imposed by such Lender on similarly situated borrowers (as reasonably determined by such Lender).

(b) Without limiting the effect of the provisions of clause (a) of this Section 2.2.4 (but without duplication), in the event that, by reason of any Regulatory Change which affects similarly situated banks or financial institutions generally and is not applicable to a Lender primarily by reason of such Lender's particular conduct or condition, any Lender incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of such Lender that includes deposits by reference to which the LIBO Rate is determined as provided in this Agreement or a category of extensions of

credit or other assets of such Lender that includes the portion of the Project Loan evidenced by such Lender's Note, then, if such Lender so elects by notice to Agent and Borrower, the obligation of such Lender to make or continue such portion of the Project Loan based on the LIBO Adjusted Rate hereunder shall be suspended effective on the last day of the then current Interest Period, until such Regulatory Change ceases to be in effect and the portion of the Project Loan evidenced by such Lender's Project Loan Note shall, during such suspension, bear interest at the Base Rate plus the Base Rate Margin.

(c) Without limiting the effect of the foregoing provisions of this Section 2.2.4 (but without duplication), Borrower shall pay to each Lender from time to time on request such amounts as such Lender may reasonably determine to be necessary to compensate such Lender (or, without duplication, the bank holding company of which such Lender is a subsidiary) for any costs that it reasonably determines are attributable to the maintenance by such Lender (or any Applicable Lending Office or such bank holding company of such Lender), pursuant to any law or regulation or any interpretation, directive or request (whether or not having the force of law) of any Governmental Authority (i) following any Regulatory Change or (ii) implementing any risk-based capital guideline or other requirement (whether or not having the force of law) applying to a class of banks including such Lender, hereafter issued by any government or governmental or supervisory authority implementing at the national level the Basle Accord (including, without limitation, the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 C.F.R. Part 208, Appendix A; 12 C.F.R. Part 225, Appendix A) and the Final Risk-Based Capital Guidelines of the office of the Comptroller of the Currency (12 C.F.R. Part 3, Appendix A)), of capital in respect of the commitment to lend or the Ratable Share of the Project Loan of such Lender (such compensation to include, without limitation, an amount equal to the reduction of the rate of return on capital of such Lender (or any Applicable Lending Office or such bank holding company of such Lender) to a level below that which such Lender (or any Applicable Lending Office or such bank holding company of such Lender) would have achieved but for such increase in capital due to such law, regulation, interpretation, directive or request), after taking into consideration such Lender's policies and practices and the policies and practices of such Lender's holding company with respect to capital adequacy. For purposes of this Section 2.2.4(c), "BASLE ACCORD" shall mean the proposals for risk-based capital framework described by the Basle Committee on Banking Regulations and Supervisory Practices in its paper entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988, as amended, modified and supplemented and in effect from time to time or any replacement thereof.

(d) Each Lender shall notify Agent and Borrower of any event occurring after the date of this Agreement entitling Lender to compensation under clause (a) or (c) of this Section 2.2.4 as promptly as practicable, and shall designate a different Applicable 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 such Lender, be materially disadvantageous to such Lender. Such Lender shall furnish to Borrower a certificate setting forth the basis and amount of each request by such Lender for compensation under clause (a) or (c) of this Section 2.2.4. Determinations and allocations by each Lender for purposes of this Section 2.2.4 of the effect of any Regulatory Change pursuant to subsection (a) or (b) of this Section 2.2.4, or of the effect of capital maintained pursuant to subsection (c) of this Section 2.2.4, on its costs or rate of return of maintaining its Ratable Share of the Project Loan or

its obligation to make such Project Loan, or on amounts receivable by it in respect of the Project Loan, and of the amounts required to compensate each Lender under this Section 2.2.4, shall constitute prima facie evidence thereof. Each Lender shall confirm to Borrower at the time it makes any claim under this Section 2.2.4 that the methods of determination and allocation used by it in determining the amount of such claim are reasonably consistent with such Lender's treatment of customers similar to Borrower (as reasonably determined by such Lender). In the event any Lender makes a request for compensation under subsection (a) or (c) of this Section 2.2.4, Borrower shall, upon payment of the amount of compensation so requested, have the right to prepay the Loan in full, without penalty or premium but subject to payment of all amounts due and payable pursuant to Section 2.2.7, on the last day of any then current Interest Period with respect to which such compensation has been requested. Borrower shall not be required to compensate a Lender pursuant to this Section 2.2.4 for any additional costs incurred more than 90 days prior to the date that such Lender knew of the changes giving rise to such increased costs and of such Lender's intention to claim compensation therefor under this Section.

2.2.5 LIBO RATE. Anything herein to the contrary notwithstanding, if, on or prior to the determination of any LIBO Adjusted Rate for any Interest Period,

(a) any Lender reasonably determines that quotations of interest rates for the relevant deposits referred to in the definition of "LIBO Rate" are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for any LIBOR Loan as provided herein; or

(b) any Lender reasonably determines that by reason of circumstances affecting the London interbank market the relevant rates of interest referred to in the definition of "LIBO Rate" upon the basis of which the rate of interest for the LIBOR Loan for such Interest Period is to be determined are not likely adequately to cover the cost to such Lender of making or maintaining a LIBOR Loan for such Interest Period;

then such Lender shall give Borrower and Agent prompt notice thereof and, so long as such condition remains in effect, such Lender shall be under no obligation to make its Ratable Share of any such LIBOR Loan but shall remain obligated to make its Ratable Share of a Base Rate Loan for a corresponding amount, or if any portion of the Loan is already outstanding as a LIBOR Loan, such portion shall, commencing immediately after the end of the then current Interest Period, bear interest at the Base Rate plus the Base Rate Margin. Each such Lender shall promptly notify Borrower and Agent upon the cessation of any facts and circumstances which resulted in suspension under this Section 2.2.5, whereupon Borrower's right to cause the Project Loan or any portion thereof to be a LIBOR Loan shall be reinstated.

2.2.6 ILLEGALITY. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Lender or its Applicable Lending Office to honor its obligation to make or maintain its Ratable Share of the Project Loan, then such Lender shall promptly notify Borrower and Agent thereof and such Lender's obligation to make its Ratable Share of the Project Loan shall be suspended (provided that, if requested by Borrower, such Lender's Ratable Share of the Project Loan shall automatically be converted to a Base Rate Loan if doing so would enable such Lender to lawfully honor its obligation to make or maintain its Ratable Share of the Project Loan) until such time as such Lender may again make its Ratable

Share of the Project Loan and Borrower shall, if required by applicable law, upon the request of such Lender, prepay a portion of the Project Loan equal to the Ratable Share of such Lender together with accrued interest thereon, but without compensation to such Lender pursuant to Section 2.2.7. Notwithstanding the foregoing, such Lender shall, as promptly as practicable, designate a different Applicable Lending Office for the Loan if doing so would enable it to lawfully honor its obligation to make or maintain its Ratable Share of the Loan.

2.2.7 BREAKAGE COSTS. (a) Borrower agrees to compensate each Lender for any loss, cost or expense incurred by it as a result of (a) a default by Borrower in making a borrowing of, conversion into or continuation of a LIBOR Loan after such Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) a default by Borrower in making any prepayment of a LIBOR Loan after such Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making of a prepayment (mandatory or optional) of a LIBOR Loan for any reason (including, without limitation, the acceleration of the maturity of the Loan pursuant to Section 9.1, the payment of Contingent Amortization pursuant to Section 4.1.11 of the Building Loan Agreement or a prepayment of the Loan in connection with a release of a Residential Unit pursuant to Section 4.1.37 of the Building Loan Agreement), other than a prepayment of the Loan pursuant to Section 2.2.6, on a day that is not the last day of an Interest Period with respect thereto.

(b) Each such Lender will furnish to Borrower a certificate setting forth the basis and amount of each request by Lender for compensation under this Section 2.2.7, which certificate shall provide reasonable detail as to the calculation of such loss, cost or expense. Such certificate shall constitute prima facie evidence of the amount of such loss, cost or expense, which shall be calculated by such Lender on a reasonable and customary basis, consistent with the basis on which such calculations are then being made by similarly situated banks or financial institutions generally.

2.2.8 WITHHOLDING TAXES. Borrower agrees to pay to each Lender such additional amounts as are necessary in order that the net payment of any amount due hereunder or under any of the other Project Loan Documents to such Lender, after deduction for or withholding of any present or future tax imposed by the United States (subject, in either case, to the provisions of this Section 2.2.8), excluding Excluded Taxes of such Lender, will be the amount that would be required to be paid hereunder or thereunder in the absence of such deduction or withholding. Each Lender shall provide Borrower with a form prescribed by the United States Internal Revenue Service (currently, Form W-8ECI or Form W-8BEN) certifying such Lender's exemption from United States withholding taxes with respect to all payments to be made to such Lender under this Agreement and any other Project Loan Document at the date of such certificate, and if any Lender fails to provide Borrower with the prescribed form referred to in the preceding sentence, indicating that such payments are not subject to United States withholding tax or are subject to such tax at a rate reduced to zero by an applicable tax treaty, Borrower may withhold taxes from payments to or for the account of such Lender at the applicable statutory rate and shall not be obligated to pay any additional amounts described in the first sentence of this Section in respect of the Project Loan; provided, that this sentence shall be inapplicable to such Lender in the event that such Lender is not able to make the certification set forth in such prescribed form as a result of a change in United States federal income tax law, regulation or judicial or administrative interpretation occurring after the date hereof, or of an

amendment, modification or revocation of an applicable tax treaty or a change in official position regarding the application or interpretation thereof, in each case, occurring after the date hereof. In the event that Borrower is obligated to pay any additional amounts described in the first sentence of this section in respect of the Project Loan, Lender shall make commercially reasonable efforts to change the jurisdiction of its Applicable Lending Office if, in the reasonable judgment of such Lender, doing so would eliminate or reduce Borrower's obligation to pay such additional amounts and would not be disadvantageous to such Lender.

SECTION 2.3 USURY SAVINGS.

2.3.1 USURY SAVINGS. This Agreement and the other Project Loan Documents are subject to the express condition that at no time shall Borrower be required to pay interest on the principal balance of the Project Loan at a rate which could subject Lenders 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 Project Loan Documents, Borrower is at any time required or obligated to pay interest on the principal balance due hereunder at a rate in excess of the Maximum Legal Rate, 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 and not on account of the interest due hereunder. All sums paid or agreed to be paid to Agent or Lenders for the use, forbearance, or detention of the sums due under the Project Loan, shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Project Loan until payment in full so that the rate or amount of interest on account of the Project Loan does not exceed the Maximum Legal Rate from time to time in effect and applicable to the Project Loan for so long as the Project Loan is outstanding.

SECTION 2.4 LOAN PAYMENTS.

2.4.1 PAYMENT BEFORE MATURITY DATE. Borrower shall make a payment to Agent of interest only at the Interest Rate on each Payment Date during the term of the Project Loan; each payment to be calculated in the manner set forth in Section 2.2.1. In addition, if the term of the Loan is extended in accordance with the provisions hereof, then upon the occurrence of any Contingent Amortization Trigger Event, Borrower shall make payments of Contingent Amortization as required pursuant to Section 4.1.11 of the Building Loan Agreement.

2.4.2 PAYMENT ON MATURITY DATE. Borrower shall pay to Agent the outstanding principal balance of the Project Loan, all accrued and unpaid interest and all other amounts due hereunder and under the Project Loan Note, the Project Loan Mortgage and the other Project Loan Documents on the Maturity Date.

2.4.3 LATE PAYMENT PREMIUM. If any principal, interest or any other sum due under the Project Loan Documents is not paid by Borrower within five (5) days of the date on which it is due (other than the principal payment due on the Maturity Date), Borrower shall pay to Agent upon demand an amount equal to the lesser of five percent (5%) of such unpaid sum or the maximum amount permitted by applicable law in order to defray the expense incurred by Agent in handling and processing such delinquent payment and to compensate Lenders for the

loss of the use of such delinquent payment. Any such amount shall be secured by the Project Loan Mortgage and the other Project Loan Documents.

2.4.4 INTEREST RATE AND PAYMENT AFTER DEFAULT. In the event that, and for so long as, any Event of Default shall have occurred and be continuing, the outstanding principal balance of the Project Loan shall accrue interest at the Default Rate, calculated from the date that such Event of Default occurred, except that for a payment default, the Default Rate shall accrue from the original due date of such payment.

2.4.5 METHOD AND PLACE OF PAYMENT. (a) Except as otherwise specifically provided herein, all payments and prepayments under this Agreement and the Project Loan Note shall be made to Agent not later than 1:00 p.m., New York City time, on the date when due and shall be made in lawful money of the United States of America in immediately available funds at Agent's office, and any funds received by Agent after such time shall, for all purposes hereof, be deemed to have been paid on the next succeeding Business Day. (a) Whenever any payment to be made hereunder or under any other Project Loan Document shall be stated to be due on a day which is not a Business Day, the due date thereof shall be the next preceding Business Day.

SECTION 2.5 PREPAYMENT.

2.5.1 VOLUNTARY PREPAYMENTS. (a) Borrower may prepay the Project Loan, in whole or in part, without premium or penalty, provided that Borrower gives to Agent not less than five (5) Business Days prior notice, which notice shall be irrevocable and shall specify: (i) the date and amount of the prepayment; (ii) whether the prepayment is of LIBOR Loans, Base Rate Loan or a combination thereof, and, if a combination thereof, the amount allocable to each; and (iii) in the case of prepayment of LIBOR Loans the expiration date of the applicable LIBOR Loan. Prepayment of all or any portion of the Loan may be made in accordance with this paragraph provided that: (i) the principal amount prepaid is not less than \$1,000,000.00 and is in increments of \$100,000.00 except for prepayments being made in connection with the sale of a Residential Unit in accordance with Section 4.1.37(i) of the Building Loan Agreement; (ii) all accrued and unpaid interest to and including the date of such prepayment on the amount being prepaid is then paid; (iii) any amounts payable pursuant to Sections 2.2.7 and 2.4.3 are then paid; (iv) any sums payable by Borrower to the Counterparty in connection with the early termination or partial termination of the Interest Rate Protection Agreement are then paid; and (v) all fees and expenses incurred by Agent in connection with the Loan and/or with the prepayment are then paid to the extent payable to Agent in accordance with the terms hereof.

(b) In each instance of prepayment permitted under this Section 2.5.1, Borrower shall be required to pay all other sums due and payable hereunder (including under Section 2.2.7), and no principal amount repaid may be reborrowed.

(c) Notwithstanding Section 2.5.1(a) but subject to Section 2.5.1(b), proceeds from the sale of Residential Units shall be applied in reduction of the principal amount of the Loan in accordance with Section 4.1.37(i) of the Building Loan Agreement.

(d) Except as otherwise expressly permitted herein, the principal balance of the Project Loan may not be prepaid in whole or in part.

2.5.2 MANDATORY PREPAYMENTS. (a) On each date on which Agent actually receives a distribution of Net Proceeds and if Agent is not required to make such Net Proceeds available to Borrower for the Restoration of the Property pursuant to Section 5.3 of the Building Loan Agreement, Agent may, in its sole and absolute discretion, elect to either make the Net Proceeds available for Restoration pursuant to Section 5.3 of the Building Loan Agreement or use the Net Proceeds to prepay the outstanding principal balance of the Building Loan Note, the Project Loan Note and/or the Project Loan Note, as determined by Agent, in an amount equal to one hundred percent (100%) of such Net Proceeds, with any excess payable to Borrower.

(b) In addition, if the term of the Loan is extended, upon the occurrence of any Contingent Amortization Trigger Event, Borrower shall prepay without premium or penalty the amount of Contingent Amortization as required pursuant to Section 4.1.11 of the Building Loan Agreement.

(c) In each instance of prepayment under this Section 2.5.2, Borrower shall be required to pay all other sums due hereunder (including under Section 2.2.7), and no principal amount repaid may be reborrowed.

2.5.3 MISCELLANEOUS. The making of an Advance by Agent and/or Lenders shall not constitute Agent's and/or Lenders' approval or acceptance of the construction theretofore completed. Agent's inspection and approval of the Plans and Specifications, the construction of the Improvements, or the workmanship and materials used therein, shall impose no liability of any kind on Agent or Lenders, the sole obligation of Agent and Lenders as the result of such inspection and approval being to make the Advances if and to the extent, required by this Agreement.

SECTION 2.6 PAYMENTS NOT CONDITIONAL.

2.6.1 PAYMENTS NOT CONDITIONAL. All payments required to be made by Borrower hereunder or under the Project Loan Note or the other Project Loan Documents shall be made irrespective of, and without deduction for, any setoff, claim or counterclaim and shall be made irrespective of any defense thereto.

SECTION 2.7 CONDITIONS PRECEDENT.

2.7.1 CONDITIONS PRECEDENT. Agent shall not be obligated to make any disbursement of the Project Loan unless Agent is reasonably satisfied that the conditions precedent to the making of such disbursement, as set forth in this Agreement, have been satisfied by Borrower.

SECTION 2.8 INTENTIONALLY OMITTED.

SECTION 2.9 CONDITIONS PRECEDENT TO DISBURSEMENT OF PROJECT LOAN PROCEEDS.

2.9.1 CONDITIONS OF ADVANCES. Agent and Lenders shall not be obligated to make an Advance of the Project Loan unless and until all of the conditions precedent set forth in this Section 2.9.1 with respect to each such Advance shall have been satisfied:

(a) Payment of Fees and Delivery of Loan Fee Letter. Payment by Borrower of all fees and expenses required by this Agreement, to the extent due and payable, including, without limitation, Agent's reasonable attorneys' fees and expenses in connection with such Advance, all origination fees, and brokerage commissions and delivery to Agent of an original counterpart of the Loan Fee Letter, duly executed by Borrower.

(b) Assignment of Spread Mortgage Documents.

(i) With respect to the Spread Mortgage being acquired by Agent with the proceeds of such Advance, Agent shall have received the originals of such Spread Mortgage and the Spread Mortgage Note and the same shall be reasonably satisfactory to Agent;

(ii) Agent shall have received a duly executed assignment of the Spread Mortgage assigning the same to Agent for the ratable benefit of Lenders, in proper form for recording and otherwise in form and substance reasonably satisfactory to Agent, together with a duly executed Section 275 Affidavit with respect thereto in form and substance reasonably satisfactory to Agent; and

(iii) Agent shall have received a duly executed allonge to the Spread Mortgage Note secured by such Spread Mortgage Note endorsing such Spread Mortgage Note to the order of Agent (for the ratable benefit of Lenders) in form and substance reasonably satisfactory to Agent.

(c) Project Loan Documents.

(i) Borrower shall have executed and delivered the Project Loan Note amending and restating the Spread Mortgage Note being assigned in connection with such Advance which shall be substantially in the form of the Building Loan Note with such changes as shall be reasonably required by Agent to reflect that the Project Loan Note evidences the Project Loan rather than the Building Loan;

(ii) Borrower shall have executed and delivered the Project Loan Mortgage amending and restating the Spread Mortgage being assigned in connection with such Advance which shall be substantially in the form of the Building Loan Mortgage with such reasonable changes as may be required by Agent or the Title Company to reflect that the Project Loan Mortgage secures the Project Loan rather than the Building Loan, together with a duly executed Section 255 Affidavit (in duplicate) with respect thereto in form and substance reasonably satisfactory to Agent;

(iii) Borrower shall have executed and delivered the Project Loan Assignment of Leases for the amount of the Spread Mortgage being assigned in connection with such Advance, which shall be substantially in the form of the Building Loan Assignment of Leases with such reasonable changes as may be required by Agent or the Title Company to reflect that the Project Loan Assignment of Lease secures the Project Loan rather than the Building Loan, together with a duly executed Section 255 Affidavit (in duplicate) with respect thereto in form and substance reasonably satisfactory to Agent;

(iv) UCC-1 Financing Statements for the Project Loan for filing in New York County and with the Delaware Secretary of State naming each Borrower as debtor in favor of Agent (for the ratable benefit of Lenders) as secured party, which shall be substantially in the form of the UCC-1 Financing Statements delivered by Borrower in connection with the Initial Advance of the Building Loan with such reasonable changes as may be required by Agent;

(v) Unless Borrower shall have previously executed and delivered the Cash Collateral Agreement pursuant to the Project Loan Agreement, Borrower shall have executed and delivered to Agent the Cash Collateral Agreement; and

(vi) Such other documents and certificates as Agent may reasonably require.

(d) Borrower's Requisition. Borrower shall have submitted a Draw Request for such Advance and for a disbursement of Project Cash Collateral under the Cash Collateral Agreement and the amount of such requested Advance shall not exceed the amount of such requested disbursement and any Funds then being held in the Cash Collateral Account under the Cash Collateral Agreement by more than \$10,000,000 or which will be received in connection with any concurrent advance of the Supplemental Loan in excess of the amount being requested as a disbursement of Supplemental Cash Collateral under the Cash Collateral Agreement in connection with such advance of the Supplemental Loan ; and all of the conditions precedent to Agent's making such disbursement under the Collateral Account shall have been satisfied (assuming for such purposes only that the requested Advance is being made).

(e) Draw Request. Borrower shall submit a Draw Request in accordance with Section 2.10.1 of this Agreement.

(f) Title Insurance Policy. With respect to the initial Advance of Project Loan proceeds, Borrower shall cause to be delivered to Agent a paid Title Insurance Policy or report in all respects reasonably satisfactory to Agent and its counsel, including a dated endorsement to the Title Insurance Policy in the form attached to the Building Loan Agreement as SCHEDULE XXI, dated the date of such requested Advance and showing the Project Loan Mortgage as a prior and paramount lien on the Property, subject only to (i) the Permitted Encumbrances and the lien of any other Project Loan Documents, (ii) the lien of the Building Loan Mortgage, (iii) the lien of the Project Loan Mortgage, which shall be shown on Schedule B-II of the Title Insurance Policy as being subordinate to the Project Loan Mortgage and (iii) any other liens or encumbrances consented to in writing by Agent, along with co-insurance or reinsurance in such forms and amounts as may be required by Agent. The reinsurance agreements shall provide for direct access with the other Title Companies satisfactory to Agent.

With respect to each subsequent Advance of Project Loan proceeds, Agent shall have been furnished with an endorsement to the Title Insurance Policy issued to Agent and Lenders in connection with the initial Advance of the Loan, which continuation or endorsement shall state that since the last disbursement of the Loan there have been no changes in the state of title to the Property (other than Permitted Encumbrances) and that there are no additional survey exceptions not previously approved by Agent, shall datedown the effective date of such Policy and shall insure the Project Loan Mortgage as the same has been consolidated with the Spread Mortgage being assigned in connection with such Advance for a consolidated amount of the requested Advance and all previous Advances of the Project Loan.

(g) Evidence of Sufficiency of Funds. Evidence reasonably satisfactory to Agent that the undisbursed proceeds of the Project Loan and the Supplemental Loan together with any Funds then being held by Agent in the Collateral Account will be sufficient to cover all Project Loan Costs and all Supplemental Loan Costs reasonably anticipated to be incurred, to satisfy the obligations of Borrower to Agent and under this Agreement.

(h) Legal Opinions. Agent shall have received opinions in form and substance satisfactory to Agent and Agent's counsel from counsel satisfactory to Agent as to such matters, as Agent shall reasonably request in form, substance and scope satisfactory to Agent.

(i) Judgment and Lien Searches. Agent shall have received a certification from the Title Company or other service satisfactory to Agent and Agent's counsel or from counsel satisfactory to Agent (which shall be updated from time to time at Borrower's expense upon request by Agent in connection with future Advances) that a search of the public records disclosed no judgment or tax liens affecting Borrower, Commercial Holding, Residential Holding, Alexander's or the Property, conditional sales contracts, chattel mortgages, leases of personalty, financing statements or title retention agreements which affect the Property.

(j) Administrative Fee. Borrower shall pay the monthly payment of the Administrative Fee to Agent in accordance with the Loan Fee Letter.

(k) Performance; No Default. Borrower shall have performed and complied with all terms and conditions herein required to be performed or complied with by it at or prior to the date of the requested Advance, and on the date of the such Advance, there shall exist no material Default and no Event of Default.

(l) Representations and Warranties. The representations and warranties made by Borrower and Guarantor in the Loan Documents shall have been true and correct in all respects on the date on which made and shall be true and correct in all respects on the date of such Advance.

(m) Intentionally omitted.

(n) Proceedings and Documents. Agent shall have received all information and such counterpart originals or certified copies of such documents and such other certificates, opinions or documents as Agent and Agent's counsel may reasonably require.

(o) Security Documents. The Project Loan Mortgage shall constitute a valid third priority lien on the Property for the full amount of the Loan advanced to and including the date of the Advance, free and clear of all liens except for Permitted Encumbrances.

(p) Special Capped Loan Amount. No Advances shall be made if and to the extent that any requested Advance of the Project Loan when added to the sum of all prior Advances of the Building Loan, the Project Loan and the Supplemental Loan exceed the Special Capped Loan Amount until the Existing Policy shall have been replaced in accordance with Section 5.1.3(b) of the Building Loan Agreement.

(q) No Damage. The Improvements shall not have been injured or damaged by fire, explosion, accident, flood or other casualty, unless Agent shall have received insurance proceeds or Borrower is otherwise entitled to the applicable Advance of the Project Loan (including, without limitation, Borrower's obligation to keep the Loan in balance under Section 2.1.11 of the Building Loan Agreement and the corresponding provisions of the Cash Collateral Agreement regarding disbursements of Cash Collateral) to effect the satisfactory restoration of the Improvements and to permit the construction of the Improvements to the stage required under the Bloomberg Lease on or prior to the relevant milestone date for such required stage of completion under the Bloomberg Lease and in any event to permit the Completion of the Base Building Work prior to the Initial Maturity Date.

(r) Inclusionary Housing Cap. Notwithstanding anything to the contrary contained in this Agreement or in any other Loan Document, if Certificates of Eligibility for Zoning Bonus for not less than the total Bonus Area shall not have all been issued and the originals of the same delivered to Agent together with an assignment of each such Certificate executed in blank and undated in form reasonably satisfactory to Agent by such time as Borrower begins to pour the concrete for the Residential Component, Agent and Lenders shall have no obligation to advance any undisbursed proceeds of the Loan until such time as such Certificates of Eligibility for Zoning Bonus for not less than the total Bonus Area shall have all been issued and the originals of the same delivered to Agent together with an assignment of each such Certificate executed in blank and undated in form reasonably satisfactory to Agent.

(s) Subsequent Building Loan Advances. In no event shall any Advance of the Project Loan be made prior to the funding of the first advance of Building Loan proceeds under the Building Loan Agreement subsequent to the Initial Advance under (and as defined in) the Building Loan Agreement.

2.9.2 INTENTIONALLY OMITTED.

2.9.3 INTENTIONALLY OMITTED.

2.9.4 NO RELIANCE. All conditions and requirements of this Agreement are for the sole benefit of Agent and Lenders and no other person or party (including, without limitation, the Construction Consultant, the Construction Manager, and any Trade Contractors) shall have the right to rely on the satisfaction of such conditions and requirements by Borrower. Agent shall have the right, in its sole and absolute discretion, to waive any such condition or requirement.

SECTION 2.10 BORROWING PROCEDURES.

2.10.1 DRAW REQUESTS. Borrower shall submit to Agent and the Construction Consultant a Draw Request (substantially in the forms attached hereto as SCHEDULES II through IX) ("BORROWER'S REQUISITION") not less than eight (8) Business Days prior to the date upon which a disbursement of the Loan is requested (the "BORROWING DATE") and no more frequently than once in each calendar month (except as otherwise expressly provided in Section 2.10.2). As part of each Draw Request, Borrower shall submit, as notice of its intention to borrow funds and as notice of its intention to obtain a disbursement of Cash Collateral under the Cash Collateral Agreement, a Borrower's Requisition Letter in the form set forth in SCHEDULE II to the Building Loan Agreement, which shall be executed by one of the Authorized Representatives. Each Borrower's Requisition Letter shall be accompanied by: (i) a Borrower's Requisition Spreadsheet in the form attached to the Building Loan Agreement as SCHEDULE IV; (ii) intentionally omitted; (iii) a Borrowing Certificate in the form attached to the Building Loan Agreement as SCHEDULE VIII; (iv) intentionally omitted; (v) intentionally omitted; (vi) such other information and documents as may be reasonably requested or required by Agent or the Construction Consultant with respect to such Draw Request; and (vii) invoices, statements or such other information and documentation as Agent shall reasonably request or require with respect to the Project Loan Costs covered by such Draw Request.

2.10.2 ONE ADVANCE PER MONTH. Agent and Lenders shall have no obligation to make Advances of the Loan more often than once in each calendar month.

2.10.3 INTENTIONALLY OMITTED.

2.10.4 PROCEDURE OF ADVANCES. (a) Each Draw Request shall be submitted to Agent and the Construction Consultant at least eight (8) Business Days prior to the Borrowing Date for the requested Advance, and no more frequently than monthly except as otherwise provided in Section 2.10.2. Not less than three (3) London Business Days prior to the Borrowing Date, Agent shall deliver written notice to each Lender at the address specified by each Lender from time to time which notice shall include the Borrowing Date and such Lender's Ratable Share of such Advance. Agent shall include with such notice a copy of the Draw Request, to the extent not previously delivered and to the extent in Agent's possession, and Agent shall promptly deliver to each Lender all items in respect of such Advance received by Agent after the date of such notice. Lenders shall make the requested Advance on the Borrowing Date so long as all conditions to such Advance are satisfied or waived. Unless otherwise notified by Agent, each Lender may assume that all conditions to such Advance are satisfied or waived on the Borrowing Date.

(b) Not later than 11:00 a.m. New York City time, on the Borrowing Date, each Lender shall make available for the account of Agent at its address referred to in Section 10.6, in same day funds, such Lender's ratable portion of such Advance. After Agent's receipt of such funds and upon fulfillment of the applicable conditions in Article II, Agent will make such funds available to Borrower in accordance with the terms of this Section 2.10.

(c) Unless Agent shall have received notice from a Lender prior to the Borrowing Date that such Lender will not make available to Agent such Lender's ratable portion

of such Advance, Agent may assume that such Lender has made such portion available to Agent on the Borrowing Date in accordance with Section 2.10.4(b), and Agent may, in reliance upon such assumption, make available to Borrower on the Borrowing Date a corresponding amount. If and to the extent that any of Lenders (the "DEFAULTING LENDER") shall not have so made such ratable portion available to Agent (individually, a "DEFICIENCY," and collectively, "DEFICIENCIES"), and Agent has advanced such amount to Borrower, such Defaulting Lender agrees to repay to Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to Borrower until the date such amount is repaid to Agent at the Default Rate. If such Defaulting Lender shall repay to Agent such corresponding amount, such amount (excluding interest) so repaid shall constitute such Defaulting Lender's ratable portion of the Advance. Each of the Lenders agrees that Borrower or any of the other Lenders shall have the right to proceed directly against any Defaulting Lender in respect of any right or claim arising out of the default of such Defaulting Lender hereunder. If there shall be a Deficiency in respect of any Lender, the other Lenders, or any of them, shall have the right, but not the obligation, to advance all or any part of the ratable portion of an Advance that should have been made by the Defaulting Lender, and the Defaulting Lender agrees to repay upon demand to each of the Lenders who has advanced a portion of the Deficiency the amount advanced on behalf of the Defaulting Lender, together with interest thereon at the Default Rate. If more than one Lender elects to advance a portion of the Deficiency such Lenders' advances shall be made based on the relative Ratable Shares of the Loan of each advancing Lender or as otherwise agreed to by such Lenders. In the event the Defaulting Lender fails to advance or repay the Deficiency (with interest at the Default Rate, if applicable) on or prior to the date of the next succeeding Advance, the entire interest of said Defaulting Lender in the Loan shall be subordinate to the interests of the other Lenders and all payments otherwise payable to the Defaulting Lender shall be used to advance or repay the Deficiency, as applicable, until such time such Defaulting Lender advances or repays all Deficiencies (including interest at the Default Rate, if applicable) and Borrower or Agent shall have the right to require such Defaulting Lender to assign its interest in the Loan to an Eligible Institution or other assignee satisfactory to Agent in its sole discretion (subject, nevertheless, to Section 10.24).

(d) The failure of any Lender to pay any Deficiency shall not relieve any other Lender of its obligation, if any, hereunder to make its ratable portion of the Advance on the Borrowing Date, but no Lender shall be responsible for the failure of any Lender to make its ratable portion of the Advance to be made by such other Lender on the Borrowing Date; provided, however, that Lenders shall be obligated to fund the balance or the then current Advance (i.e., excluding the Deficiency) in the manner required hereunder. In the event the following occurs, Lenders, in the sole discretion of Agent, shall have the right to make no further Advances under the Loan: any and all Deficiencies in respect of prior Advances made more than thirty (30) days prior to the current Advance have not been funded by (A) the Defaulting Lender(s) responsible therefor or (B) one or more of the other Lenders or (C) Borrower with its own equity. In such event, the Project Loan Amount shall be permanently reduced by any and all Deficiencies unless and until funded as provided in clauses (A) or (B) above or a substitute lender, reasonably acceptable to Lenders other than the Defaulting Lender(s), pays such Deficiency(ies). If pursuant to this Section, Lenders are not obligated to make an Advance, Agent may (subject to subsection (e) below) nonetheless make a determination that Lenders shall make such Advances and all Lenders shall be bound by such determination.

(e) Notwithstanding the foregoing, any decision by Agent to make Advances hereunder when Borrower is not entitled to receive such an Advance because an Event of Default has occurred and is continuing and any decision by Agent to refuse to make any Advance hereunder because an Event of Default has occurred and is continuing shall be a Major Decision requiring the consent of all Lenders.

2.10.5 FUNDS ADVANCED. Each Advance shall be made by Agent by wire transfer to Borrower's Designated Account or as provided in Section 2.10.6. All proceeds of all Advances shall be used by Borrower only for the purposes for which such Advances were made. Borrower shall not commingle such funds with other funds of Borrower.

2.10.6 DIRECT ADVANCES TO THIRD PARTIES. At Agent's option, Agent may direct Lenders to make any or all Advances directly or through the Title Company to the holder of the Spread Mortgage being assigned in connection with such Advance.

2.10.7 INTENTIONALLY OMITTED.

2.10.8 ADVANCES DO NOT CONSTITUTE A WAIVER. No Advance shall constitute a waiver of any of the conditions of Lenders' obligation to make further Advances nor, in the event Borrower is unable to satisfy any such condition, shall any Advance have the effect of precluding Agent from thereafter declaring such inability to be an Event of Default hereunder.

2.10.9 INTENTIONALLY OMITTED.

2.10.10 INTENTIONALLY OMITTED.

2.10.11 ADVANCES AND DISBURSEMENTS UNDER COMPLETION GUARANTY.

Notwithstanding anything to the contrary contained in this Agreement or in any other Loan Document, Borrower hereby irrevocably and unconditionally authorizes Agent and Lenders to make any disbursements of proceeds of the Loan or of any Funds held by Agent to Vornado in accordance with the Guaranty of Completion.

III. REPRESENTATIONS AND WARRANTIES

SECTION 3.1 BORROWER REPRESENTATIONS.

Borrower represents and warrants that:

3.1.1 ORGANIZATION. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.2 PROCEEDINGS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.3 NO CONFLICTS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.4 LITIGATION. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.5 GOVERNMENTAL ORDERS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.6 CONSENTS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.7 TITLE. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein, provided that all references in such incorporated provision to "Building Loan" are hereby replaced solely for the purposes of incorporating such representation and warranty herein with the words "Project Loan".

3.1.8 NO PLAN ASSETS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.9 COMPLIANCE. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.10 FINANCIAL AND OTHER INFORMATION. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement is incorporated herein by reference as if fully set forth herein.

3.1.11 CONDEMNATION. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.12 UTILITIES AND PUBLIC ACCESS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement is incorporated herein by reference as if fully set forth herein.

3.1.13 SEPARATE LOTS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.14 ASSESSMENTS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement is incorporated herein by reference as if fully set forth herein.

3.1.15 ENFORCEABILITY. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein, provided that all references in such incorporated provision to "Building Loan" are hereby replaced solely for the purposes of incorporating such representation and warranty herein with the words "Project Loan".

3.1.16 ASSIGNMENT OF LEASES. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.17 INSURANCE. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein, provided that all references in such incorporated provision to "this Agreement" shall be deemed to continue to refer to the "Building Loan Agreement" for the purposes of incorporating such representation and warranty herein.

3.1.18 LICENSES. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.19 FLOOD ZONE. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.20 PHYSICAL CONDITION. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.21 BOUNDARIES. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.22 LEASES. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.23 FILING AND RECORDING TAXES. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein, provided that all references in such incorporated provision to "Building Loan" are hereby replaced solely for the purposes of incorporating such representation and warranty herein with the words "Project Loan".

3.1.24 SINGLE PURPOSE. The representations and warranties and covenants set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.25 TAX FILINGS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.26 SOLVENCY. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein..

3.1.27 FEDERAL RESERVE REGULATIONS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.28 MEZZANINE DEBT. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.29 OFFICES; LOCATION OF BOOKS AND RECORDS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.30 INTENTIONALLY OMITTED.

3.1.31 CONSTRUCTION MANAGEMENT AGREEMENTS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.32 ACCESS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.33 NO DEFAULT. No material Default and no Event of Default exists.

3.1.34 ARCHITECT'S CONTRACT. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.35 PLANS AND SPECIFICATIONS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.36 ZONING. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.37 BUDGET. The Loan Budget (as adjusted from time to time in accordance with the terms of the Building Loan Agreement) accurately reflects all Building Loan Costs and all Project Loan Costs. Upon the making of the disbursement from the Collateral Account of the Cash Collateral Funds in an amount equal to the amount of the Advance requested in Borrower's Requisition in the manner set forth therein, all materials and labor theretofore supplied or performed in connection with the Property that do not constitute Hard Costs will have been paid for in full.

3.1.38 FEASIBILITY. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.39 SUBWAY AGREEMENT. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.40 BLOOMBERG LEASE. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.41 CONDOMINIUM DOCUMENTS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.42 UNIT CONTRACTS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.43 ZLDA. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.44 FULL AND ACCURATE DISCLOSURE. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.45 FOREIGN PERSON. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.46 INVESTMENT COMPANY ACT. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.47 ORGANIZATIONAL STRUCTURE. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.48 TAX CERTIFICATES. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.49 INCLUSIONARY HOUSING PROGRAM. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 3.2 CONTINUING EFFECTIVENESS AND SURVIVAL OF REPRESENTATIONS.

All representations and warranties contained in any documents furnished to Agent and/or Lenders by or on behalf of Borrower, as part of or in support of the Loan application or pursuant to this Agreement or any of the other Loan Documents shall be deemed to be incorporated by reference in each requisition for Advance by Borrower, and each Draw Request submitted to Agent as provided in Section 2.10.1 hereof shall constitute an affirmation that the representations and warranties contained in Article III of this Agreement and in the other Loan Documents remain true and correct in all material respects as of the date of such Draw Request unless Borrower specifically notifies Agent of any change therein; and unless Agent is notified to the contrary, in writing, prior to the disbursement of the requested Advance or any portion thereof; shall constitute an affirmation that the same remain true and correct in all material respects on the date of such disbursement unless Borrower specifically notifies Agent of any change therein. The representations and warranties set forth in Section 3.1 shall survive for so long as any amount remains payable to Agent and/or Lenders under this Agreement or any of the other Loan Documents.

IV. BORROWER COVENANTS

SECTION 4.1 BORROWER AFFIRMATIVE COVENANTS.

Borrower hereby covenants and agrees that:

4.1.1 EXISTENCE; COMPLIANCE WITH LEGAL REQUIREMENTS. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.2 TAXES AND OTHER CHARGES. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.3 LITIGATION. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.4 ACCESS TO PROPERTY. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.5 FURTHER ASSURANCES; SUPPLEMENTAL MORTGAGE AFFIDAVITS. Borrower shall, at Borrower's sole cost and expense:

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

(b) do and execute all and such further lawful and reasonable acts, conveyances and assurances for the better and more effective carrying out of the intents and purposes of this Agreement and the other Project Loan Documents, as Agent shall reasonably require from time to time; and

(c) furnish to Agent all instruments, documents, certificates, plans and specifications, appraisals, title and other insurance, reports and agreements and each and every other document and instrument in each case required to be furnished by the terms of this Agreement or the other Project Loan Documents, all at Borrower's reasonable expense.

4.1.6 FINANCIAL REPORTING. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.7 TITLE TO THE PROPERTY. Borrower will warrant and defend the validity and priority of the Liens of the Project Loan Mortgage and the Project Loan Assignment of Leases on the Property and the Lien created pursuant to the Cash Collateral Agreement on the Cash Collateral against the claims of all Persons whomsoever, subject with respect to the Property only to Permitted Encumbrances. The Title Company, in its capacity as subrogee to Lenders' rights against Borrower, shall not have the right to enforce this Section 4.1.7 against Borrower.

4.1.8 ESTOPPEL STATEMENT. (a) After request by Agent, Borrower shall within five (5) Business Days furnish Agent with a statement, duly acknowledged and certified, stating (i) the unpaid principal amount of the Building Loan Note, the Supplemental Loan Note and the Project Loan Note, respectively, (ii) the Applicable Interest Rate of the Note, (iii) the date installments of interest and/or principal were last paid on the Note, (iv) any offsets or defenses to the payment of the Total Debt, if any, and (v) that this Agreement, the Building Loan Agreement and the Project Loan Agreement and the other Loan Documents have not been modified or if modified, giving particulars of such modification.

(b) After request by Borrower, Agent shall within ten (10) Business Days furnish Borrower with a written statement that (i) the unpaid principal amount of the Building Loan Note, the Supplemental Loan Note and the Project Loan Note, respectively, (ii) the Applicable Interest Rate of the Note, (iii) the date installments of interest and/or principal were last paid on the Note, and (iv) that this Agreement, the Building Loan Agreement and the Project Loan Agreement and the other Loan Documents have not been modified or if modified, giving particulars of such modification, provided that Borrower shall not have the right to request such certificate from Agent more frequently than two (2) times in any calendar year..

(c) After request by Agent, Borrower shall use commercially reasonable efforts to obtain and deliver to Agent an estoppel certificate from each Tenant under any Lease;

provided that such certificate may be in the form required under such Lease; provided further that Borrower shall not be required to use such efforts to obtain and deliver such certificates more frequently than two (2) times in any calendar year.

4.1.9 LEASES. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.10 ALTERATIONS. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.11 FINANCIAL COVENANTS. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.12 UPDATED APPRAISAL. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.13 FACILITY FEE AND ADMINISTRATIVE FEE. Borrower shall pay to Agent the Up-Front Fee and the Administrative Fee in accordance with the Loan Fee Letter.

4.1.14 INTEREST RATE PROTECTION AGREEMENT. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.15 INTENTIONALLY OMITTED.

4.1.16 INTENTIONALLY OMITTED.

4.1.17 INSURANCE. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.18 INTENTIONALLY OMITTED.

4.1.19 PROJECT LOAN COSTS AND EXPENSES. Borrower shall promptly pay when due all Project Loan Costs; provided that Borrower's right to dispute the same shall not diminish Borrower's obligations to remove or discharge in accordance with the terms of this Agreement, the Mortgage and the other Loan Documents any mechanic's or materialman's Liens filed against the Property.

4.1.20 FEES. Borrower shall promptly pay when due the reasonable fees of the Construction Consultant, all reasonable out-of-pocket costs and expenses, including, without limitation, appraisal fees (to the extent provided herein), recording fees and charges, abstract fees, title policy fees, escrow fees, reasonable attorneys' fees, fees of inspecting architects and engineers to the extent provided hereunder in connection with Advances, environmental consultants to the extent provided in the Project Loan Mortgage, mortgage servicing fees and expenses, and all other reasonable costs and expenses of every character which have been incurred or which may hereafter be incurred by Agent in connection with the preparation and execution of the Project Loan Documents, including any extension, amendment or modification thereof, the funding of the Project Loan, and enforcement of the Project Loan Mortgage, the

Project Loan Note, and the other Project Loan Documents, and for any services which may be required in addition to those normally and reasonably contemplated hereby and or by the other Loan Documents or which may be required in the negotiation, preparation, execution and delivery of any consents, amendments, waivers or other modifications to this Agreement and the other Loan Documents and any subordination, non-disturbance and attornment agreement or Lease approvals, the releases of Residential Units or other documents or matters requested by Borrower; including, without limitation, reasonable attorneys' fees in any action for the foreclosure of the Project Loan Mortgage and the collection of the Project Loan, and all such fees incurred in connection with any bankruptcy or insolvency proceeding; and Borrower will, within thirty (30) days after demand by Agent (together with reasonable evidence of incurrence of such expenses), reimburse Agent for all such reasonable expenses which have been incurred. All amounts incurred or paid by Agent under this Section 4.1.20, together with interest thereon at the Default Rate from the due date until paid by Borrower, shall be added to the Debt and shall be secured by the lien of the Project Loan Mortgage.

4.1.21 INTENTIONALLY OMITTED.

4.1.22 INTENTIONALLY OMITTED.

4.1.23 INTENTIONALLY OMITTED.

4.1.24 INTENTIONALLY OMITTED.

4.1.25 INTENTIONALLY OMITTED.

4.1.26 BOOKS AND RECORDS. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.27 INDEBTEDNESS. Borrower shall duly and promptly pay all Borrower's indebtedness to Lenders according to the terms of this Agreement, the Project Loan Note and the other Project Loan Documents, and shall incur no other Indebtedness in any form, whether direct, indirect, primary, secondary, or contingent, without Agent's prior written consent, other than such indebtedness contemplated hereunder in connection with constructing and operating the Improvements, the indebtedness created under the Supplemental Loan Documents and Building Loan Documents and the Indebtedness permitted pursuant to Section 4.2.14 of the Building Loan Agreement, which other Indebtedness in each case is paid on a timely basis.

4.1.28 MAINTAIN EXISTENCE. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.29 BONDS. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.30 FINANCING PUBLICITY. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.31 EASEMENTS AND RESTRICTIONS; ZONING. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.32 LABORERS, SUBCONTRACTORS AND MATERIALMEN. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.33 OWNERSHIP OF PERSONALTY. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.34 COMPLY WITH OTHER PROJECT LOAN DOCUMENTS. Borrower shall perform all of Borrower's obligations under the Project Loan Note and the other Project Loan Documents.

4.1.35 PURCHASE OF MATERIAL UNDER CONDITIONAL SALE CONTRACT. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.36 FURTHER ASSURANCE OF TITLE. Borrower shall further assure title as follows: If at any time Agent has reason to believe in its reasonable opinion that any Advance is not secured or will or may not be secured by the Project Loan Mortgage as a third priority lien or security interest on the Improvements (subject only to the Permitted Encumbrances), then Borrower shall, within ten (10) days after written notice from Agent, do all things and matters necessary (including execution and delivery to Agent of all further documents and performance of all other acts which Agent reasonably deems necessary or appropriate) to assure to the reasonable satisfaction of Agent that any Advance previously made hereunder or to be made hereunder is secured or will be secured by the Project Loan Mortgage as a third priority lien or security interest with respect to the Improvements (subject only to the Permitted Encumbrances). Lenders, at Agent's option, may decline to make further Advances hereunder until Agent has received such assurance. The Title Company, in its capacity as subrogee to Lenders' rights against Borrower, shall not have the right to enforce this Section 4.1.36 against Borrower.

4.1.37 CONDOMINIUM. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.38 TAX BENEFITS. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.39 INCLUSIONARY HOUSING PROGRAM. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.40 ERISA. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.41 INTENTIONALLY OMITTED.

4.1.42 INTENTIONALLY OMITTED.

4.1.43 REA. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

SECTION 4.2 BORROWER NEGATIVE COVENANTS.

Borrower covenants and agrees that:

4.2.1 DUE ON SALE AND ENCUMBRANCE; TRANSFERS OF INTERESTS. Borrower shall not permit or suffer any Transfer, other than a Permitted Transfer, without the prior written consent of Agent.

4.2.2 LIENS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.3 DISSOLUTION. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.4 CHANGE IN BUSINESS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.5 DEBT CANCELLATION. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.6 AFFILIATE TRANSACTIONS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.7 ZONING. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.8 ASSETS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.9 NO JOINT ASSESSMENT. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.10 PRINCIPAL PLACE OF BUSINESS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.11 ERISA. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.12 NO DISTRIBUTIONS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.13 CHANGE ORDERS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.14 INDEBTEDNESS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section..

4.2.15 ORGANIZATIONAL DOCUMENTS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

V. INSURANCE, CASUALTY AND CONDEMNATION

5.1.1 INSURANCE COVERAGE. (a) Borrower, at its sole cost and expense, shall obtain and maintain, or cause to be maintained, insurance for Borrower and the Property in accordance with Article V of the Building Loan Agreement.

5.1.2 INTENTIONALLY OMITTED.

5.1.3 INTENTIONALLY OMITTED.

SECTION 5.2 CASUALTY AND CONDEMNATION.

The provisions of Section 5.2 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 5.3 DELIVERY OF NET PROCEEDS.

The provisions of Section 5.3 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

VI. NET CASH FLOW FUNDS

SECTION 6.1 DEPOSITS OF NCF FUNDS.

The provisions of Section 6.1 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 6.2 INTENTIONALLY OMITTED.

SECTION 6.3 SECURITY INTEREST IN FUNDS.

The provisions of Section 6.3 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 6.4 CASH MANAGEMENT.

The provisions of Section 6.4 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

VII. PROPERTY MANAGEMENT AND REA

SECTION 7.1 THE MANAGEMENT AGREEMENT.

The provisions of Section 7.1 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 7.2 PROHIBITION AGAINST TERMINATION OR MODIFICATION.

The provisions of Section 7.2 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 7.3 REPLACEMENT OF MANAGER.

The provisions of Section 7.3 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

VIII. TRANSFERS

SECTION 8.1 AGENT'S AND LENDERS' RELIANCE.

Borrower acknowledges that Agent and Lenders have examined and relied on the experience of Borrower and its general partners, members, principals and (if Borrower is a trust) beneficial owners in owning and operating properties such as the Property in agreeing to enter into this Agreement and make the Project Loan, and will continue to rely on Borrower's ownership of the Property as a means of maintaining the value of the Property as security for repayment of the Debt and the performance of Borrowers obligations under the Loan Documents. Borrower acknowledges that Agent and Lenders have a valid interest in maintaining the value of the Property so as to ensure that, should Borrower default in the repayment of the Debt or the performance of Borrower's obligations under the Project Loan Documents, Agent and Lenders can recover the Debt by a sale of the Property.

SECTION 8.2 NO TRANSFERS.

Except for Permitted Transfers, Borrower shall not Transfer the Property or any part thereof or permit or suffer the Property or any part thereof to be Transferred or permit any other Transfer to occur, unless Agent shall consent thereto in writing, in Agent's sole and absolute discretion. The subordination by Agent of the Liens of the Mortgage to the ZLDA shall not be deemed to impair, abridge or otherwise affect the restrictions on Transfers set forth in this Agreement and the Mortgage, which shall remain in full force and effect.

SECTION 8.3 PERMITTED TRANSFERS.

8.3.1 PERMITTED TRANSFERS. The restrictions on Transfers set forth in Section 8.2 shall not apply to the following Transfers (collectively, "PERMITTED TRANSFERS"):

(a) the direct or indirect issuance, redemption, repurchase, conversion, sale, transfer, pledge or other disposition of publicly or privately traded securities of Vornado Realty

Trust (the "REIT") or the direct or indirect issuance, redemption, repurchase, conversion, transfer, pledge or other disposition of limited partnership interests in Vornado, provided that the REIT (or any permitted successor by merger or consolidation as hereinafter provided) shall at all times (i) be and remain the general partner of Vornado (or any permitted successor by merger or consolidation as hereinafter provided) and have the right and power to direct the management, policies and day to day business and affairs of Vornado (or any permitted successor by merger or consolidation as hereinafter provided) and (ii) directly or indirectly own a minimum of fifty one percent (51%) of the common equity interests in Vornado (or any permitted successor by merger or consolidation as hereinafter provided);

(b) a merger or consolidation of the REIT or Vornado into or with another Person, or the merger or consolidation of another Person into or with the REIT or Vornado, provided that at all times thereafter (i) the senior management of Vornado shall continue to be the senior management of the surviving entity with the power to direct management, policies and day to day business and affairs of such surviving entity, and (ii) the Management Agreement for the Property continues in full force and effect with the surviving entity having the right and power to direct the management, policies and day to day business and affairs of the Manager and directly or indirectly owning a minimum of fifty one percent (51%) of the interests in Manager and (iii) each of the financial covenants contained in the Guaranty of Completion and Guaranty of Limited Recourse Obligations made by Vornado remain true and correct as of the date of such merger or consolidation, after giving effect to the same;

(c) the direct or indirect issuance, sale, redemption, repurchase, conversion, transfer, pledge or other disposition of publicly or privately traded securities of Alexander's or a merger or consolidation of Alexander's into or with another Person or a merger of another Person into or with Alexander's provided that (i) the Management Agreement for the Property continues in full force and effect at such time and (ii) the financial covenant contained in the Guaranty of Carry Obligations and Guaranty of Limited Recourse Obligations made by Alexander's remains true and correct as of the date of such merger or consolidation, after giving effect to the same;

(d) the pledge of ownership interests in Commercial Holding and Residential Holding as security for the Mezzanine Loan for so long as the Mezzanine Loan continues to be owned by Vornado (or its successor by merger or consolidation as provided herein) or an entity directly or indirectly wholly-owned by Vornado, (or its successor by merger or consolidation as provided herein) or the transfer of such interests to Vornado (or its successor by merger or consolidation as provided herein) or an entity directly or indirectly wholly-owned by Vornado as a result of a foreclosure or transfer-in-lieu of foreclosure of the Mezzanine Loan Collateral as Mezzanine Lender;

(e) the conversion of the Property to a condominium form of ownership, subject the provisions of Section 4.1.37 of the Building Loan Agreement;

(f) transfers of Residential Units pursuant to Qualifying Contracts in conjunction with a release of such Units from the liens of the Mortgage pursuant to Section 4.1.37(i) of the Building Loan Agreement;

(g) easements affecting the Property that are granted with the approval of Agent (not to be unreasonably withheld) in accordance with the terms of this Agreement, the Building Loan Agreement and the Mortgage; and

(h) any Liens that are Permitted Encumbrances.

IX. DEFAULTS SECTION

SECTION 9.1 EVENTS OF DEFAULT.

(a) The occurrence of an Event of Default under (and as defined in) the Building Loan Agreement shall constitute an event of default hereunder (an "EVENT OF DEFAULT").

(b) Upon the occurrence of an Event of Default (other than an Event of Default described in clauses (vii), (viii) or (ix) of Section 9.1(a) of the Building Loan Agreement) and at any time thereafter Agent may, 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, without notice or demand, that Agent deems advisable to protect and enforce its rights against Borrower and in and to the Property, including, without limitation, declaring the Total Debt to be immediately due and payable, and Agent may enforce or avail itself of any or all rights or remedies provided 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 said clauses (vii), (viii) or (ix), the Total Debt 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.

SECTION 9.2 RIGHTS AND REMEDIES OF AGENT AND LENDERS.

9.2.1 REMEDIES. Upon the occurrence of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available to Agent against Borrower under this Agreement or any of the other Project Loan Documents executed and delivered by, or applicable to, Borrower or at law or in equity may be exercised by Agent at any time and from time to time, whether or not all or any of the Debt shall be declared due and payable, and whether or not Agent shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Project Loan Documents with respect to the Property or the Cash Collateral. Any such actions taken by Agent shall be cumulative and concurrent and may be pursued independently, singly, successively, together or otherwise, at such time and in such order as Agent may determine in its sole discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of Agent permitted by law, equity or contract or as set forth herein or in the other Project Loan Documents. Without limiting the generality of the foregoing, Borrower agrees that, to the fullest extent permitted by applicable law, if an Event of Default is continuing (i) Agent is not subject to any "one action" or "election of remedies" law or rule, and (ii) all liens and other rights, remedies or privileges provided to Agent shall remain in full force and effect until Agent has exhausted all of its remedies against the Property and the Project Loan Mortgage has been

foreclosed, sold and/or otherwise realized upon in satisfaction of the Debt or the Debt has been paid in full.

(b) Agent shall have the right from time to time following the occurrence of an Event of Default to partially foreclose the Project Loan Mortgage in any manner and for any amounts secured by the Project Loan Mortgage then due and payable as determined by Agent in its sole discretion including, without limitation, the following circumstances: (i) in the event Borrower defaults beyond any applicable grace period in the payment of one or more scheduled payments of principal and interest, Agent may foreclose the Project Loan Mortgage to recover such delinquent payments, or (ii) in the event Agent elects to accelerate less than the entire outstanding principal balance of the Loan, Agent may foreclose the Project Loan Mortgage to recover so much of the principal balance of the Project Loan as Agent may accelerate and such other sums secured by the Project Loan Mortgage as Agent may elect. Notwithstanding one or more partial foreclosures, the Property shall remain subject to the Project Loan Mortgage to secure payment of sums secured by the Project Loan Mortgage and not previously recovered.

(c) Agent shall have the right from time to time to sever the Project Loan Note and the other Loan Documents into one or more separate notes, mortgages and other security documents (the "SEVERED LOAN DOCUMENTS") in such denominations as Agent shall determine in its sole discretion for purposes of evidencing and enforcing its rights and remedies provided hereunder. Borrower shall execute and deliver to Agent from time to time, promptly after the request of Agent, a severance agreement and such other documents as Agent shall request in order to effect the severance described in the preceding sentence, all in form and substance reasonably satisfactory to Agent. Borrower hereby absolutely and irrevocably appoints Agent 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 the aforesaid severance, Borrower ratifying all that its said attorney shall do by virtue thereof; provided, however, Agent shall not make or execute any such documents under such power until three (3) Business Days after notice has been given to Borrower by Agent of Agent's intent to exercise its rights under such power. Borrower shall not be obligated to pay any costs or expenses incurred in connection with the preparation, execution, recording or filing of the Severed Loan Documents, and the Severed Loan Documents shall not contain any representations, warranties or covenants not contained in the Project Loan Documents and any such representations and warranties contained in the Severed Loan Documents will be given by Borrower only as of the Closing Date or the date of the last Advance made hereunder or under the Project Loan Agreement, whichever is later.

(d) Upon the occurrence of an Event of Default, Agent may declare Lenders' obligations to make Advances hereunder to be terminated, whereupon the same shall terminate, and/or declare all unpaid principal of and accrued interest on the Project Loan Note, together with all other sums payable under the Project Loan Documents, to be immediately due and payable, whereupon same shall become and be immediately due and payable, anything in the Project Loan Documents to the contrary notwithstanding, and without presentation, protest or further demand or notice of any kind, all of which are expressly hereby waived by Borrower; provided, however, that Lenders may make Advances or parts of Advances thereafter without thereby waiving the right to demand payment of the Project Loan Note, without becoming liable to make any other or further Advances, and without affecting the validity of or enforceability of

the Project Loan Documents. Notwithstanding and without limiting the generality of the foregoing or anything else to the contrary contained in this Agreement, upon the occurrence of an Event of Default, Lenders' obligations to make Advances hereunder shall automatically terminate.

(e) Upon the occurrence of an Event of Default, subject to Agent's first providing Vornado with an opportunity to assume responsibility for the construction of the Improvements in accordance with the Guaranty of Completion, Agent may cause the Improvements to be completed and may enter upon the Property and construct, equip and complete the Improvements in accordance with the Plans and Specifications, with such changes therein as Agent may, from time to time, and in its sole discretion, deem appropriate. In connection with any construction of the improvements undertaken by Agent pursuant to the provisions of this subsection, Agent may:

(i) use any funds of Borrower, including any balance which may be held by Agent as security or in escrow, and any funds remaining unadvanced under the Project Loan;

(ii) employ existing contractors, subcontractors, including Major Trade Contractors, agents, architects, engineers, and the like, or terminate the same and employ others;

(iii) employ security watchmen to protect the Property;

(iv) make such additions, changes and corrections in the Plans and Specifications as shall, in the judgment of Agent, be necessary or desirable;

(v) take over and use any and all Personal Property contracted for or purchased by Borrower, if appropriate, or dispose of the same as Agent sees fit;

(vi) execute all applications and certificates on behalf of Borrower which may be required by any Governmental Authority or Law or Regulation or contract documents or agreements;

(vii) pay, settle or compromise all existing or future bills and claims which are or may be liens against the Property, or may be necessary for the Completion of the Improvements or the clearance of title to the Property, including, without limitation, all taxes and assessments;

(viii) complete the marketing and sale of Residential Units, and complete the marketing and leasing of leasable space in the Improvements, enter into new leases and occupancy agreements of the Residential Units or Commercial Units, and modify or amend existing leases and occupancy agreements, all as Agent shall deem to be necessary or desirable;

(ix) prosecute and defend all actions and proceedings in connection with the construction of the Improvements or in any other way affecting the Property, the Improvements and take such action and require such performance as Agent deems necessary under the Payment and Performance Bonds; and

(x) take such other action hereunder, or refrain from acting hereunder, as Agent may, in its sole and absolute discretion, from time to time determine, and without any limitation whatsoever, to carry out the intent of this Section 9.21.

Borrower shall be liable to Agent for all costs paid or incurred for the construction, completion and equipping of the Improvements, whether the same shall be paid or incurred pursuant to the provisions of this Section or otherwise, and all payments made or liabilities incurred by Agent hereunder of any kind whatsoever shall be deemed advances made to Borrower under this Agreement and shall be secured by the Project Loan Mortgage and the other Project Loan Documents.

To the extent that any costs so paid or incurred by Agent, together with all other Advances made by Lenders hereunder, exceed the Project Loan Amount, such excess costs shall be paid by Borrower to Agent on demand, with interest thereon at the Default Rate until paid; and Borrower shall execute such notes or amendments to the Project Loan Note as may be requested by Agent to evidence Borrower's obligation to pay such excess costs and until such notes or amendments are so executed by Borrower, Borrower's obligation to pay such excess costs shall be deemed to be evidenced by this Agreement. In the event Agent takes possession of the Property and assumes control of such construction as aforesaid, Agent shall not be obligated to continue such construction longer than Agent shall see fit and may thereafter, at any time, change any course of action undertaken by it or abandon such construction and decline to make further payments for the account of Borrower whether or not the Property shall have been completed. For the purpose of this Section, the construction, equipping and completion of the Property shall be deemed to include any action necessary to cure any Event of Default by Borrower under any of the terms and provisions of any of the Project Loan Documents.

(f) Upon the occurrence of an Event of Default, Agent may appoint or seek appointment of a receiver, without notice and without regard to the solvency of Borrower or the adequacy of the security, for the purpose of preserving the Property, preventing waste, and to protect all rights accruing to Agent and/or Lenders by virtue of this Agreement and the other Project Loan Documents, and expressly to do any further acts as Agent may determine to be necessary to complete the development and construction of the Improvements. All expenses incurred in connection with the appointment of such receiver, or in protecting, preserving, or improving the Property, shall be charged against Borrower and shall be secured by the Project Loan Mortgage and enforced as a lien against the Property.

(g) Upon the occurrence of an Event of Default, Agent may accelerate maturity of the Project Loan Note and any other indebtedness of Borrower to Lenders, and demand payment of the principal sum due thereunder, with interest, advances, costs and reasonable attorneys' fees and expenses (including those for appellate proceedings), and enforce collection of such payment by foreclosure of the Project Loan Mortgage or the enforcement of any other collateral, or other appropriate action.

9.2.2 POWER OF ATTORNEY. For the purposes of carrying out the provisions and exercising the rights, powers and privileges granted by or referred to in this Agreement, Borrower hereby irrevocably constitutes and appoints Agent its true and lawful attorney-in-fact, with full power of substitution, to execute, acknowledge and deliver any instruments and do and

perform any acts which are referred to in this Agreement, in the name and on behalf of Borrower after the occurrence of an Event of Default. The power vested in such attorney-in-fact is, and shall be deemed to be, coupled with an interest and irrevocable.

9.2.3 REMEDIES CUMULATIVE. Upon the occurrence of any Event of Default, the rights, powers and privileges provided in this Article IX and all other remedies available to Agent and Lenders under this Agreement or under any of the other Project Loan Documents or at law or in equity may be exercised by Agent and Lenders at any time and from time to time and shall not constitute a waiver of Agent's or any of Lenders' other rights or remedies thereunder, whether or not the Project Loan shall be due and payable, and whether or not Agent shall have instituted any foreclosure proceedings or other action for the enforcement of its rights under the Project Loan Documents.

9.2.4 ANNULMENT OF DEFAULTS. An Event of Default shall not be deemed to be in existence for any purpose of this Agreement or any Loan Document if Agent shall have waived such Event of Default in writing or stated that the same has been cured to its reasonable satisfaction, but no such waiver shall extend to or affect any subsequent Event of Default or impair any of the rights of Lenders upon the occurrence thereof.

9.2.5 WAIVERS. Borrower hereby waives to the extent not prohibited by applicable law (a) all presentments, demands for payment or performance, notices of nonperformance (except to the extent required by the provisions hereof or of any other Project Loan Documents), protests and notices of dishonor, (b) any requirement of diligence or promptness on Agent's or Lenders' part in the enforcement of its rights (but not fulfillment of its obligations) under the provisions of this Agreement or any other Project Loan Document, and (c) any and all notices of every kind and description which may be required to be given by any statute or rule of law.

9.2.6 COURSE OF DEALING, ETC. No course of dealing and no delay or omission by Agent, Lenders or Borrower in exercising any right or remedy hereunder shall operate as a waiver thereof or of any other right or remedy and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. No waiver or consent shall be binding upon Lenders unless it is in writing and signed by Agent. Agent's exercise of Agent's right to remedy any default by Borrower to Lenders or any other person, firm or corporation shall not constitute a waiver of the default remedied, a waiver of any other prior or subsequent default by Borrower or a waiver of the right to be reimbursed for any and all of its expenses in so remedying such default. The making of an Advance hereunder during the existence of an Event of Default shall not constitute a waiver thereof. All rights and remedies of Lenders hereunder are cumulative. No Advance of Project Loan proceeds hereunder, no increase or decrease in the amount of any Advance, and no making of all or any part of an Advance prior to the due date thereof shall constitute an approval or acceptance by Lenders of the work theretofore done or a waiver of any of the conditions of Lenders' obligation to make further Advances, nor in the event Borrower is unable to satisfy any such condition, shall any such failure to insist upon strict compliance have the effect of precluding Lenders from thereafter refusing to make an Advance and/or declaring such inability

to be an Event of Default as hereinabove provided. All Advances shall be deemed to have been made pursuant hereto and not in contravention of the terms of this Agreement.

SECTION 9.3 REMEDIES CUMULATIVE.

The rights, powers and remedies of Agent under this Agreement shall be cumulative and not exclusive of any other right, power or remedy which Agent may have against Borrower pursuant to this Agreement or the other Loan Documents, or existing at law or in equity or otherwise. Agent's rights, powers and remedies may be pursued singly, concurrently or otherwise, at such time and in such order as Agent may determine in Agent'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.

X. MISCELLANEOUS

SECTION 10.1 SUCCESSORS AND ASSIGNS.

All covenants, promises and agreements in this Agreement, by or on behalf of Borrower, shall inure to the benefit of the respective legal representatives, successors and assigns of Agent and Lenders.

SECTION 10.2 AGENT'S AND LENDER'S DISCRETION.

Whenever, pursuant to this Agreement, Agent and/or a Lender exercises any right given to it to approve or disapprove, or any arrangement or term is to be satisfactory to Agent and/or any Lender, the decision of Agent and/or such Lender to approve or disapprove or to decide whether arrangements or terms are satisfactory or not satisfactory shall (except as is otherwise specifically herein provided) be in the sole discretion of Agent and/or such Lender, as applicable, and shall be final and conclusive.

SECTION 10.3 GOVERNING LAW, JURISDICTION AND AGENT FOR SERVICE.

(A) THIS AGREEMENT WAS NEGOTIATED IN THE STATE OF NEW YORK, AND MADE BY AGENT AND LENDERS AND ACCEPTED BY BORROWER IN THE STATE OF NEW YORK, AND THE PROCEEDS OF THE PROJECT LOAN NOTE DELIVERED PURSUANT HERETO 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 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 LAWS) AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA, EXCEPT THAT AT ALL TIMES THE PROVISIONS FOR THE CREATION, PERFECTION, AND ENFORCEMENT OF THE LIEN AND SECURITY INTEREST CREATED PURSUANT TO THE PROJECT LOAN MORTGAGE SHALL BE GOVERNED BY AND CONSTRUED ACCORDING TO THE LAW OF THE STATE IN WHICH THE PROPERTY IS LOCATED, IT BEING UNDERSTOOD THAT, TO THE FULLEST EXTENT PERMITTED BY THE LAW OF SUCH STATE, THE LAW OF THE STATE OF NEW YORK SHALL GOVERN THE CONSTRUCTION, VALIDITY AND ENFORCEABILITY OF ALL LOAN DOCUMENTS AND ALL OF THE OBLIGATIONS ARISING HEREUNDER OR THEREUNDER. TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER 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 AND THE 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.

(B) ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST AGENT, ANY LENDER OR BORROWER ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY AT AGENT'S OR LENDERS' OPTION 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 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 HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUIT, ACTION OR PROCEEDING. BORROWER DOES HEREBY DESIGNATE AND APPOINT:

Proskauer Rose LLP
1585 Broadway
New York, New York 10035
Attention: Lawrence J. Lipson, Esq.

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 AGENT 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 BORROWER PURSUANT TO A WRITTEN CONSENT IN FORM AND SUBSTANCE SATISFACTORY TO AGENT.

SECTION 10.4 MODIFICATION, WAIVER IN WRITING.

No modification, amendment, extension, discharge, termination or waiver of any provision of this Agreement or of any other Loan Document, nor consent to any departure by Borrower 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 10.5 DELAY NOT A WAIVER.

Neither any failure nor any delay on the part of Agent and/or Lenders in insisting upon strict performance of any term, condition, covenant or agreement, or exercising any right, power, remedy or privilege hereunder, or under any other Loan Document, 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 or any other Loan Document, neither Agent nor Lenders shall be deemed to have waived any right either to require prompt payment when due of all other amounts due under this Agreement or the other Loan Documents, or to declare a default for failure to effect prompt payment of any such other amount.

SECTION 10.6 NOTICES.

The provisions of Section 10.6 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 10.7 TRIAL BY JURY.

BORROWER, AGENT AND EACH LENDER EACH HEREBY AGREE NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVE ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THE LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY BORROWER, AGENT AND EACH 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. BORROWER, AGENT AND EACH LENDER ARE EACH HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER.

SECTION 10.8 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

10.9 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 10.10 PREFERENCES.

Each Lender shall have the continuing and exclusive right to apply or reverse and reapply any and all payments by Borrower to any portion of the obligations of Borrower hereunder. To the extent Borrower makes a payment or payments to Agent or any 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 Agent or such Lender.

SECTION 10.11 WAIVER OF NOTICE.

Borrower shall not be entitled to any notices of any nature whatsoever from Agent or Lenders except with respect to matters for which this Agreement or the other Loan Documents specifically and expressly provide for the giving of notice by Agent and/or Lenders 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 Agent and/or any 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 Agent and/or such Lender to Borrower.

SECTION 10.12 REMEDIES OF BORROWER.

In the event that a claim or adjudication is made that Agent or any Lender or its agents have acted unreasonably or unreasonably delayed acting in any case where, by law or under this Agreement or the other Loan Documents, Agent or such Lender or such agent, as the case may be, has an obligation to act reasonably or promptly, Borrower's sole remedy shall be limited to commencing an action seeking injunctive relief or declaratory judgment and neither

Agent nor such Lender nor its agents shall be liable for any monetary damages unless in a final judgment of a court having jurisdiction, it is determined that Agent or such Lender not only acted unreasonably but arbitrarily and capriciously and in bad faith as well. Any action or proceeding to determine whether Agent or a Lender has acted reasonably shall be determined by an action seeking declaratory judgment. Any expedited procedure legally available with such a declaratory judgment action or action for injunctive relief may be utilized to the extent possible.

SECTION 10.13 EXPENSES; INDEMNITY.

The provisions of Section 10.13 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 10.14 SCHEDULES AND EXHIBITS INCORPORATED.

The Schedules and Exhibits 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 10.15 OFFSETS, COUNTERCLAIMS AND DEFENSES.

Any assignee of Agent's or any Lender's interest in and to this Agreement 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 10.16 NO JOINT VENTURE OR PARTNERSHIP; NO THIRD PARTY BENEFICIARIES.

The provisions of Section 10.16 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 10.17 PUBLICITY.

The provisions of Section 10.17 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 10.18 RESERVED.

SECTION 10.19 WAIVER OF OFFSETS/DEFENSES/COUNTERCLAIMS.

Borrower hereby waives the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by Agent or Lenders or their agents or otherwise to offset any obligations to make the payments required by the Loan Documents. No failure by Agent or Lenders to perform any of its obligations hereunder shall be a valid defense to, or result in any offset against, any payments which Borrower is obligated to make under any of the Loan Documents.

SECTION 10.20 CONFLICT; CONSTRUCTION OF DOCUMENTS; RELIANCE.

In the event of any conflict between the provisions of this Agreement and any of the other Project 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 Project Loan Documents and that such Project Loan Documents shall not be subject to the principle of construing their meaning against the party that drafted same. Borrower acknowledges that, with respect to the Project Loan, Borrower shall rely solely on its own judgment and advisors in entering into the Project Loan without relying in any manner on any statements, representations or recommendations of Agent or any Lender or any parent, subsidiary or affiliate of Agent or such Lender. Neither Agent nor any Lender shall be subject to any limitation whatsoever in the exercise of any rights or remedies available to it under any of the Project 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 Agent or such 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 Agent's and/or Lenders' exercise of any such rights or remedies. Borrower acknowledges that Agent and each Lender engages in the business of real estate financings and other real estate transactions and investments that may be viewed as adverse to or competitive with the business of Borrower or its Affiliates.

SECTION 10.21 BROKERS AND FINANCIAL ADVISORS.

Borrower hereby represents that it has dealt with no financial advisors, brokers, underwriters, placement agents, agents or finders in connection with the transactions contemplated by this Agreement. Borrower shall indemnify, defend and hold each Indemnified Party and its officers and directors harmless from and against any Losses in any way relating to or arising from a Claim by any Person that such Person acted on behalf of Borrower in connection with the transactions contemplated herein. The provisions of this Section 10.21 shall survive the expiration and termination of this Agreement and the payment of the Total Debt.

SECTION 10.22 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, including, without limitation, the Summary of Terms and Conditions dated April 25, 2002 between Borrower and Lender, are superseded by the terms of this Agreement and the other Loan Documents.

SECTION 10.23 JOINT AND SEVERAL LIABILITY.

If Borrower is comprised of more than one Person, all representations, warranties, covenants (both affirmative and negative) and all other obligations hereunder shall be the joint and several obligation of each entity making up Borrower and a Default or Event of Default by any such Person shall be deemed a Default or Event of Default by all such entities and Borrower. The representations, covenants and warranties contained herein or in any other Project Loan Document shall be read to apply to the individual entities comprising Borrower when the context

so requires but a breach of any such representation, covenant or warranty or a breach of any obligation under the Project Loan Documents shall be deemed a breach by all such entities and Borrower, entitling Agent and/or Lenders, as applicable, to exercise all of their rights and remedies under all the Project Loan Documents and under applicable law. Notwithstanding anything to the contrary herein contained, except as provided in any Guaranty or in the Environmental Indemnity, no direct or indirect member of Residential Owner or Commercial Owner, nor any principal, director, officer or employee of any such member, shall have any personal liability under the Loan Documents.

SECTION 10.24 ASSIGNMENTS.

(a) Borrower may not assign this Agreement or any of its rights or obligations hereunder without the prior approval of Agent.

(b) No Lender shall assign, transfer, sell, pledge or hypothecate all or any portion of its rights in and to the Loans to any other Person (a Person to which any such assignment, transfer or sale is made in accordance with this Article X being an "ASSIGNEE"):

(i) without the prior written consent of Agent, which consent shall not be unreasonably withheld and shall not be required if the Assignee is an Affiliate of such Lender and provided that such Lender shall not be released from its continuing obligations hereunder after such assignment to its Affiliate;

(ii) so long as no Event of Default shall exist, unless the Assignee is an Affiliate of such Lender or is an Eligible Assignee, and provided that such Lender shall not be released from its continuing obligations hereunder after such assignment to its Affiliate;

(iii) unless such transaction shall be an assignment of a constant and not a varying, ratable percentage of such Lender's interest in the Loan;

(iv) unless the aggregate principal amount of the Loan which is the subject of such transaction is Five Million Dollars (\$5,000,000) or more;

(v) unless, after giving effect to such transaction, such Lender's aggregate unassigned interest in the Loan shall be in a principal amount of at least Five Million Dollars (\$5,000,000) unless such transaction encompasses all of such Lender's rights in and to the Loan in which case such Lender shall have assigned all of its rights in and to the Loan; and

(vi) in the case of an assignment, the parties to each such assignment shall execute and deliver to Agent, for its acceptance and recording the Agent's Register, Agent's form of assignment and acceptance agreement attached hereto as SCHEDULE XIII, with appropriate completions (each, an "ASSIGNMENT AND ACCEPTANCE"), together with a processing and registration fee of \$2,500, which fee shall cover Agent's cost in connection with the assignments under this Agreement.

(c) If an Event of Default has occurred and is continuing, subject to Section 11.4(f), Borrower's consent to any assignment or participation to any party whatsoever shall not be required and all parties hereto agree to promptly execute and file an amendment to this Agreement reflecting any such assignment. Furthermore, if within seven (7) Business Days after receiving a request pursuant to subparagraph (b) above for its consent to any assignment or participation by any Lender, Borrower shall not have either consented or withheld its consent (specifying the reasons therefor), then such consent shall be deemed to have been given.

(d) Borrower agrees to execute, within ten (10) days after request therefor is made by Agent, any documents and/or estoppel certificates reasonably requested by Agent in connection with such participation or assignment, without charge; provided that such documents and/or estoppel certificates do not expand the liability or obligations of Borrower or reduce assignee's or participant's obligations.

(e) Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance, (x) the assignee thereunder shall be a party thereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party thereto).

(f) Agent shall maintain a register (the "AGENT'S REGISTER") showing the identity of the Lenders from time to time. The entries in the Agent's Register shall be conclusive, in the absence of manifest error, and Borrower, Agent and the Lenders may (and, in the case of any portion of the Loan or other obligation hereunder not evidenced by a Note, shall) treat each Person whose name is recorded in the Register as the owner of such portion of the Loan or other obligation hereunder as the owner thereof for all purposes of this Agreement and the other Loan Documents, notwithstanding any notice to the contrary. Any assignment of any portion of the Loan or other obligation hereunder not evidenced by a Note shall be effective only upon appropriate entries with respect thereto being made in the Register. The Register shall be available for inspection by Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(g) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an Assignee (and, in the case of an Assignee that is not then a Lender or an affiliate thereof, by Borrower and Agent) together with payment to Agent of a registration and processing fee of \$2,500, Agent shall (i) promptly accept such Assignment and Acceptance and (ii) on the effective date determined pursuant thereto record the information contained therein in the Agent's Register and give notice of such acceptance and recordation to the Lenders and Borrower.

(h) Borrower authorizes each Lender to disclose to any participant or Assignee of such Lender (each, a "TRANSFEREE") and any prospective transferee any and all financial information in such Lender's possession concerning Borrower and its Affiliates which

has been delivered to such Lender by or on behalf of Borrower pursuant to this Agreement or which has been delivered to such Lender by or on behalf of Borrower in connection with such Lender's credit evaluation of Borrower and its Affiliates prior to becoming a party to this Agreement, provided that any disclosure of Bloomberg's financial statements may only be made in accordance with the terms of the Bloomberg Lease and subject to the confidentiality requirements thereof with respect to the same.

(i) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this Section concerning assignments relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by a Lender of any Loan or Note to any Federal Reserve Bank in accordance with applicable law.

(j) Borrower agrees that after the effective date under such Assignment and Acceptance, upon the request to Agent by any Lender, Borrower shall execute and deliver to such Lender one or more substitute notes of Borrower evidencing such Lender's Ratable Share of the Building Loan, Supplemental Loan and Project Loan, respectively, in substantially the same form as the Building Loan Note, Supplemental Loan Note and Project Loan Note, respectively, with appropriate insertions as to payee and principal amount. Each such substitute note shall be dated as of the Closing Date.

(k) Notwithstanding anything to the contrary contained in this Agreement, HVB and Agent hereby agree for the benefit of Borrower that provided no Event of Default exists, HVB shall not assign, without the consent of Borrower (which consent shall not be unreasonably withheld or delayed), a portion of the Loan which shall result in the Ratable Share of HVB in its capacity as a Lender being less than, for so long as Lenders continue to have any further funding obligations hereunder, One Hundred One Million and No/100 (\$101,000,000) Dollars of the Maximum Loan Commitment.

(l) Notwithstanding anything to the contrary contained in this Agreement, Borrower shall not be responsible for the costs incurred by any Lender, Assignee or Agent in connection with any such Assignment and Acceptance.

(m) Notwithstanding anything to the contrary contained in this Agreement or the other Loan Documents, Borrower consents to any assignment of the Loan to Vornado or to Mezzanine Lender or any Person that is, directly or indirectly, wholly-owned by Vornado.

SECTION 10.25 ADJUSTMENTS; SET-OFF.

The provisions of Section 10.25 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 10.26 COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute together but one and the same agreement.

XI. AGENT

SECTION 11.1 PERFORMANCE BY AGENT.

If an Event of Default shall have occurred and be continuing, Agent shall have the right, but not the duty, without limitation, upon any of Agent's rights pursuant hereto, to perform the obligations of Borrower which are the subject of the Event of Default, in which event Agent shall endeavor to give notice to Borrower of Agent's performance, and Borrower agrees to pay to Agent, within five (5) days of demand therefor, all actual and reasonable costs and expenses incurred by Agent in connection therewith, including without limitation reasonable attorneys' fees, together with interest from the date of expenditure at the Default Rate, if an Event of Default shall have given rise to such expenditure. Upon demand by Agent each of the Lenders shall promptly advance to Agent in immediately available funds its ratable portion of the funds expended by Agent in curing such Event of Default together with interest thereon at the Default Rate from the date of Agent's payment through the date prior to the date on which such advance is received by Agent.

SECTION 11.2 ACTIONS.

If Agent shall have reasonable cause to believe that any action or proceeding related to the Property could, if adversely determined, have a material adverse effect upon the rights or interests of Agent and/or Lenders under this Agreement or any of the other Project Loan Documents, Agent shall have the right to commence, appear in and defend such action or proceeding, and in connection therewith Agent may pay necessary expenses, employ counsel, and pay reasonable attorneys' fees. Borrower agrees to pay to Agent, within thirty (30) days (or if an Event of Default has occurred and is continuing, within five (5) days) after demand therefor by Agent, all actual and reasonable costs and expenses incurred by Agent in connection therewith, including without limitation reasonable attorneys' fees, together with interest from the date of expenditure at the Default Rate, if an Event of Default shall have given rise to such action or proceeding. Borrower's obligations to repay such expenses shall be secured by the Project Loan Documents.

SECTION 11.3 NONLIABILITY OF AGENT AND LENDERS.

The provisions of Section 11.3 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 11.4 AUTHORIZATION AND ACTION.

(a) Each Lender hereby appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to Agent by the terms hereof, together with such powers as are reasonably incidental thereto. Any and all actions relating to construction of the Improvements, including without limitation, approval of changes to the Loan Budget, Plans and Specifications, contracts and subcontracts and Payment and Performance Bonds, shall be deemed to have been delegated to Agent exclusively and shall not constitute a Major Decision requiring the approval of any other Lender. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of the Note), Agent shall not be required to exercise any

discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Lenders, and such instructions shall be binding upon all Lenders; provided, however, that Agent shall not be required to take any action which exposes Agent to personal liability or which is contrary to this Agreement or applicable law. Agent agrees to give to each Lender prompt notice of each material notice given to it by Borrower pursuant to the terms of the Loan Documents.

(b) By their execution of this Agreement, all of the Lenders hereby authorize and direct Agent to act on their behalf in all respects in connection with the Loan Documents and the making of the Loan (but subject to paragraph (e) below) and agree with Borrower that Borrower shall only be required to and shall only deal with Agent and each of the Lenders shall be bound by any acts of Agent.

(c) Except as otherwise expressly provided in this Agreement, Agent (i) shall take all such actions hereunder and under the other Loan Documents which are not inconsistent with the terms hereof or thereof as the Majority Lenders shall instruct and (ii) shall not take any material actions hereunder or under the Loan Documents contrary to the instructions of the Majority Lenders (and shall be fully protected in so acting or refraining from acting upon such instructions) and such instructions shall be binding upon all Lenders; provided, however, that the Majority Lenders shall not have the right to require any Lender to fund its Ratable Share of any amount which is Advanced in excess of the total amount of the Loan. Any provision of this Agreement which grants to Agent the right to make a decision at its sole discretion or in its reasonable judgment or at its option or any other similar provision is intended, unless the context shall clearly require otherwise, to apply only to relations between Borrower and Agent and the respective rights and obligations of Borrower and Agent hereunder and shall not apply to the relations between Agent and the Lenders or the respective rights and obligations of Agent and the Lenders hereunder.

(d) Promptly after Agent acquires actual knowledge thereof, Agent will give written notice to each Lender of any Lien on the Property or material Default under this Agreement or any of the other Loan Documents which in Agent's judgment adversely affects any of the Lenders' interests in the Loan. Agent agrees to consult with Lenders in respect of any material remedial action to be taken in respect of any such Default and shall act substantially in accordance with any decision of the Majority Lenders (and shall be fully protected in so acting). Agent agrees that during a period of forty-five (45) days from Agent's notice to Lenders of any such Default, Agent will not take any such material remedial action without the prior agreement of the Majority Lenders unless in Agent's good faith judgment it is necessary to take more prompt remedial action within such period, with or without the agreement of the Majority Lenders, in order to preserve any collateral for the payment of the Loan or substantive rights or remedies under any of the Loan Documents. Agent shall advise Lenders from time to time of such remedial action as Agent shall have taken. Notwithstanding the foregoing, if the Majority Lenders do not agree on the action to be taken, except as expressly set forth in this Section, Agent reserves the right, in its sole discretion, in each instance, without prior notice to Lenders, to consent to any action or failure to act by Borrower, and to exercise or refrain from exercising any powers or rights Agent may have under or in respect of this Agreement or any of the other Loan Documents relative thereto or any collateral therefor, which would be reasonable. All losses and expenses incurred by Agent in connection with the Loan, the enforcement thereof or

the realization of the security therefor shall be borne by the Lenders in accordance with their ratable interest in the Loan, and Lenders will, upon request, reimburse Agent for their Ratable Shares of any expenses incurred by Agent in connection with any such default, any advances made to pay Taxes or Insurance Premiums or Other Charges or otherwise to preserve the lien of the Supplemental Loan Mortgage, Building Loan Mortgage or Project Loan Mortgage or to preserve and protect the Property or made to effect the completion of the Improvements to be constructed pursuant to this Agreement (provided that Agent shall not advance sums in excess of the principal amount of the Supplemental Loan Mortgage, Building Loan Mortgage or Project Loan Mortgage for completion of the Improvements without the prior written consent of the Majority Lenders), any other expenses incurred in connection with the enforcement of the Supplemental Loan Mortgage, Building Loan Mortgage or Project Loan Mortgage, and any expenses incurred by Agent in connection with the consummation of the Loan not paid or provided for by Borrower.

(e) Except as otherwise provided in this Agreement, any provision of this Agreement or the other Loan Documents may be modified or supplemented only by an instrument in writing signed by Borrower and Agent and any provisions of this Agreement or the other Loan Documents may be waived by Agent, provided that no modification, supplement or waiver shall, unless by an instrument signed by all of the Lenders or by Agent acting with the consent of all of the Lenders, (i) increase or extend the term of the Loan except as otherwise expressly provided in this Agreement, (ii) extend the date fixed for the payment of principal or of interest on the Loan or the amount of any fee payable hereunder (other than the Administrative Fee), (iv) reduce the amount of any such payment of principal or of any such fee, (iii) reduce the rate at which interest is payable on the Loan, (v) alter the terms of Section 10.25 or this Section 11.4, (vi) release, substitute or exchange any material portion of the collateral for the Loan except in accordance with the provisions of the Loan Documents related thereto, (vii) modify the definition of the term "Majority Lenders" or modify in any other manner the number or percentage of the Lenders required to make any determinations or receive any rights hereunder or to modify any provision hereof or of any other Loan Document, (viii) modify or waive the Debt Service Coverage Ratio or Loan-to-Value requirements set forth herein, including without limitation modify the definition of the term "Debt Service Coverage Ratio" or "Loan-to-Value," (ix) release any Guarantor or any other Person liable on the Loan from any of their material obligations with respect to the Loan or the completion of the Improvements, (x) subordinate the Liens created by the Loan Documents to any other liens securing indebtedness of Borrower or otherwise, (any such modification, supplement or waiver described in this clauses (i) through (xi) and any other action that expressly requires the consent of all Lenders hereunder is herein referred to as a "MAJOR DECISION"); and provided further, that any modification or supplement of Article XI hereof, or of any of the rights or duties of Agent hereunder, shall require the consent of Agent. The provisions of this subsection are solely for the benefit of the Lenders and Agent and shall not create any rights in Borrower. The provisions of this subsection are solely for the benefit of the Lenders and Agent and shall not create any rights in Borrower.

(f) Provided Majority Lenders have designated a successor agent as provided below, Majority Lenders shall have the right to remove Agent for cause, by written notice to Borrower and Agent to be effective as to Borrower only if, as and when such notice is actually received by Borrower and Agent. If Agent shall resign as administrative agent hereunder or

under the other Loan Documents (which Agent may so resign upon thirty (30) days written notice to Borrower and each Lender), or if the Majority Lenders shall remove Agent, then the Majority Lenders shall designate another Lender to perform the obligations and exercise the rights of Agent hereunder. The successor Agent shall assume such obligations in writing and from and after Borrower's receipt of a copy of notice of such replacement and receipt of a copy of such assumption the successor Agent shall be the sole Agent hereunder and the term "AGENT" shall thereafter refer to such successor. Notwithstanding the foregoing, HVB agrees for the benefit of Borrower that it shall not resign as Agent prior to the Initial Maturity Date for so long as (i) Lenders continue to have any further funding obligations hereunder, (ii) no Event of Default exists, (iii) HVB is generally engaged in the business of being an administrative agent for construction loans in the United States and (iv) the other Lenders do not have the right to remove HVB as Agent for cause as provided herein.

SECTION 11.5 AGENT'S RELIANCE, ETC.

Agent shall administer this Agreement and the other Loan Documents and service the Loan in accordance with the terms and conditions of this Agreement and with the same degree of care as Agent would use in servicing a loan of similar size and type held for its own account; provided, however, that none of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, Agent: (i) may consult with legal counsel (including counsel for Borrower), independent public accountants and other experts selected and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of Borrower or to inspect the Property (including the books and records) of Borrower; (iv) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (v) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 11.6 AGENT AS A LENDER.

With respect to Agent's ownership interest in the Loan and the Loan Documents as a Lender, Agent in its capacity as a Lender shall have the rights and powers of a Lender under this Agreement and the other Loan Documents as set forth herein and therein and may exercise the same as though it were not Agent.

SECTION 11.7 DISTRIBUTION OF PAYMENTS BY AGENT TO LENDERS.

Agent shall promptly distribute to each Lender its Ratable Share of any payment on account of principal or interest or any extension fee received by Agent by credit to an account

of such Lender at Agent or by wire transfer to an account of such Lender in accordance with written wiring instructions received by Agent from such Lender, or to such other Person or in such other manner as such Lender may designate, provided any other designated account is maintained at a commercial bank located in the United States of America. If any payments are received by Agent after 11:00 a.m. (New York time), then provided Agent shall not be able to distribute to each Lender its Ratable Share of any such payment on the same day as such payment is received by Agent, Agent shall hold such payment to the extent not so distributed for the benefit of the respective Lenders ratably, shall invest any such Lender's Ratable Share not so distributed in overnight federal funds for the benefit of such Lender and such Lender shall be entitled to receive its Ratable Share of such payment together with interest earned thereon on the following Business Day. The provisions of this Section 11.7 are subject to the terms and conditions set forth in Section 2.10.4(c) as to any Defaulting Lender.

SECTION 11.8 ASSIGNMENT UPON REPAYMENT

Upon repayment or prepayment of the Loan in full by Borrower in accordance with the terms of this Agreement and the other Loan Documents, Lenders shall, on a one-time basis, assign the Note and Agent shall assign the Mortgage, each without recourse, covenant or warranty of any nature, express or implied, (except if any Lender is not delivering the original Note, in which case such Lender shall execute and deliver a "lost note affidavit" in its customary form with respect to the copy of its Note) to such new mortgagee designated by Borrower (other than Borrower or a nominee of Borrower); provided that Borrower (i) has caused to be paid the reasonable out-of-pocket expenses of Agent and Lenders incurred in connection therewith and Agent's and Lenders' reasonable attorneys' fees for the preparation, delivery and performance of such an assignment, (ii) has caused the delivery of an executed Statement of Oath under Section 275 of the New York Real Property Law; and (iii) has provided such other information and documents which a prudent mortgagee would reasonably require to effectuate such assignment. Borrower shall be responsible for all mortgage recording taxes, recording fees and other charges payable in connection with any such assignment.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized representatives, all as of the day and year first above written.

BORROWER:

731 COMMERCIAL LLC, a Delaware limited liability company

By: 731 Commercial Holding LLC,
a Delaware limited liability
company, as member

By: Alexander's Inc., a Delaware
corporation, member

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice
President-Finance
and Administration

731 RESIDENTIAL LLC, a Delaware limited liability company

By: 731 Residential Holding LLC,
a Delaware limited liability
company, as member

By: Alexander's Inc., a Delaware
corporation, member

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice
President-Finance
and Administration

AGENT:

BAYERISCHE HYPO- UND
VEREINSBANK AG, NEW YORK BRANCH

By: /s/ Robert Dowling

Name: Robert Dowling
Title: Managing Director

By: /s/ Anthony Mugno

Name: Anthony Mugno
Title: Director

LENDER[S]:

BAYERISCHE HYPO- UND
VEREINSBANK AG, NEW YORK BRANCH

By: /s/ Robert Dowling

Name: Robert Dowling
Title: Managing Director

By: /s/ Anthony Mugno

Name: Anthony Mugno
Title: Director

Lending Office:

622 Third Avenue
29th Floor
New York, New York 10017
Attention: Real Estate Lending

[ADD OTHER LENDERS NAMES AND
APPLICABLE LENDING OFFICES]

SCHEDULE I

LENDERS' RATABLE SHARE

LENDER'S NAME	RATABLE LOAN AMOUNT	PERCENTAGE/RATABLE SHARE
Bayerische Hypo- und Vereinsbank, AG, New York Branch	\$74,683,182	100%

THE LAND

RESIDENTIAL PARCEL

ALL THAT CERTAIN volume of space, situate, lying and being in the Borough of Manhattan, County, City and State of New York, bounded and described as follows:

All that portion of the below described parcel lying between a lower horizontal plane drawn at elevation 512 feet 2 inches above the datum level used by the Topographical Bureau, Borough of Manhattan, which is 2 feet 9 inches above National Geodetic Survey Vertical Datum of 1929, mean sea level Sandy Hook, New Jersey and an upper horizontal plane drawn at 809 feet 2 inches above such datum level bounded and described as follows:

BEGINNING at a point distant 48 feet 8 inches north of the northerly line of East 58th Street and 30 feet 9 inches east of easterly line of Lexington Avenue;

RUNNING THENCE northerly, parallel with the easterly line of Lexington Avenue, 12 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 5 feet 10 inches;

THENCE northerly, parallel with the easterly line of Lexington Avenue, 78 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 5 feet 10 inches;

THENCE northerly, parallel with the easterly line of Lexington Avenue, 12 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 103 feet 6 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 35 feet 0 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 88 feet 6 inches;

THENCE, westerly, parallel with the northerly line of East 58th Street, 35 feet 0 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 103 feet 6 inches to the point or place of BEGINNING.

COMMERCIAL PARCEL

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, County of New York, City and State of New York, being more particularly bounded and described as follows:

BEGINNING at the corner formed by the intersection of the northerly line of East 58th Street with the easterly side of Lexington Avenue;

RUNNING THENCE northerly, along the easterly line of Lexington Avenue 200 feet 10 inches to the corner formed by the intersection of the southerly line of East 59th Street with the easterly line of Lexington Avenue;

THENCE easterly, along the southerly line of East 59th Street, 420 feet 0 inches to the corner formed by the intersection of the southerly line of East 59th Street with the westerly line of Third Avenue;

THENCE southerly, along the westerly line of Third Avenue, 200 feet 10 inches to the corner formed by the intersection of the northerly line of East 58th Street with the westerly line of Third Avenue;

THENCE westerly, along the northerly line of East 58th Street, 420 feet to the point or place of BEGINNING.

LESS AND EXCEPT:

All that portion of the below described parcel lying between a lower horizontal plane drawn at elevation 512 feet 2 inches above the datum level used by the Topographical Bureau, Borough of Manhattan, which is 2 feet 9 inches above National Geodetic Survey Vertical Datum of 1929, mean sea level Sandy Hook, New Jersey and an upper horizontal plane drawn at 809 feet 2 inches above such datum level bounded and described as follows:

BEGINNING at a point distant 48 feet 8 inches north of the northerly line of East 58th Street and 30 feet 9 inches east of easterly line of Lexington Avenue;

RUNNING THENCE northerly, parallel with the easterly line of Lexington Avenue, 12 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 5 feet 10 inches;

THENCE northerly, parallel with the easterly line of Lexington Avenue, 78 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 5 feet 10 inches;

THENCE northerly, parallel with the easterly line of Lexington Avenue, 12 feet 6 inches

THENCE easterly, parallel with the northerly line of East 58th Street, 103 feet 6 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 35 feet 0 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 88 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 35 feet 0 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 103 feet 6 inches to the point or place of BEGINNING.

SUPPLEMENTAL LOAN AGREEMENT

Dated as of July 3, 2002

Between

731 COMMERCIAL LLC and 731 RESIDENTIAL LLC,
collectively, as Borrower,

and

BAYERISCHE HYPO- UND VEREINSBANK AG,
NEW YORK BRANCH,
as Agent,

and

THE LENDERS NAMED HEREIN,
as Lenders

TABLE OF CONTENTS

	Page

I. DEFINITIONS; PRINCIPLES OF CONSTRUCTION	
Section 1.1 Definitions.....	1
Section 1.2 Principles of Construction.....	13
II. THE LOAN	
Section 2.1 The Loan and Advances.....	14
2.1.1 Agreement to Lend and Borrow.....	14
2.1.2 No Reborrowings.....	14
2.1.3 The Note.....	14
2.1.4 Use of Proceeds.....	14
2.1.5 Loan Term and Extension Options.....	15
2.1.6 Intentionally Omitted.....	15
2.1.7 Intentionally Omitted.....	15
2.1.8 Advances.....	15
2.1.9 Intentionally Omitted.....	15
2.1.10 Intentionally Omitted.....	15
2.1.11 Intentionally Omitted.....	15
2.1.12 Intentionally Omitted.....	15
2.1.13 Required Equity.....	16
Section 2.2 Interest Rate.....	16
2.2.1 Interest.....	16
2.2.2 Minimum Amounts and Maximum Number of Interest Periods.....	17
2.2.3 Certain Notices.....	18
2.2.4 Additional Costs.....	18
2.2.5 LIBO Rate.....	21
2.2.6 Illegality.....	21
2.2.7 Breakage Costs.....	21
2.2.8 Withholding Taxes.....	22
Section 2.3 Usury Savings.....	23
2.3.1 Usury Savings.....	23
Section 2.4 Loan Payments.....	23
2.4.1 Payment Before Maturity Date.....	23
2.4.2 Payment on Maturity Date.....	23
2.4.3 Late Payment Premium.....	23
2.4.4 Interest Rate and Payment After Default.....	23
2.4.5 Method and Place of Payment.....	24
Section 2.5 Prepayment.....	24
2.5.1 Voluntary Prepayments.....	24
2.5.2 Mandatory Prepayments.....	24

	2.5.3	Miscellaneous.....	25
Section 2.6		Payments Not Conditional.....	25
	2.6.1	Payments Not Conditional.....	25
Section 2.7		Conditions Precedent.....	25
	2.7.1	Conditions Precedent.....	25
Section 2.8		Intentionally Omitted.....	25
Section 2.9		Conditions Precedent to Disbursement of Supplemental Loan Proceeds.....	25
	2.9.1	Conditions of Advances.....	25
	2.9.2	Intentionally Omitted.....	29
	2.9.3	Intentionally Omitted.....	29
	2.9.4	No Reliance.....	29
Section 2.10		Borrowing Procedures.....	29
	2.10.1	Draw Requests.....	29
	2.10.2	One Advance Per Month.....	30
	2.10.3	Intentionally Omitted.....	30
	2.10.4	Procedure of Advances.....	30
	2.10.5	Funds Advanced.....	32
	2.10.6	Direct Advances to Third Parties.....	32
	2.10.7	Intentionally Omitted.....	32
	2.10.8	Advances Do Not Constitute a Waiver.....	32
	2.10.9	Intentionally Omitted.....	32
	2.10.10	Intentionally Omitted.....	32
	2.10.11	Advances and Disbursements Under Completion Guaranty.....	32

III. REPRESENTATIONS AND WARRANTIES

Section 3.1		Borrower Representations.....	32
	3.1.1	Organization.....	32
	3.1.2	Proceedings.....	32
	3.1.3	No Conflicts.....	33
	3.1.4	Litigation.....	33
	3.1.5	Governmental Orders.....	33
	3.1.6	Consents.....	33
	3.1.7	Title.....	33
	3.1.8	No Plan Assets.....	33
	3.1.9	Compliance.....	33
	3.1.10	Financial and Other Information.....	33
	3.1.11	Condemnation.....	33
	3.1.12	Utilities and Public Access.....	33
	3.1.13	Separate Lots.....	33
	3.1.14	Assessments.....	34
	3.1.15	Enforceability.....	34
	3.1.16	Assignment of Leases.....	34
	3.1.17	Insurance.....	34
	3.1.18	Licenses.....	34
	3.1.19	Flood Zone.....	34

3.1.20	Physical Condition.....	34
3.1.21	Boundaries.....	34
3.1.22	Leases.....	34
3.1.23	Filing and Recording Taxes.....	34
3.1.24	Single Purpose.....	35
3.1.25	Tax Filings.....	35
3.1.26	Solvency.....	35
3.1.27	Federal Reserve Regulations.....	35
3.1.28	Mezzanine Debt.....	35
3.1.29	Offices; Location of Books and Records.....	35
3.1.30	Intentionally Omitted.....	35
3.1.31	Construction Management Agreements.....	35
3.1.32	Access.....	35
3.1.33	No Default.....	35
3.1.34	Architect's Contract.....	35
3.1.35	Plans and Specifications.....	35
3.1.36	Zoning.....	35
3.1.37	Budget.....	36
3.1.38	Feasibility.....	36
3.1.39	Subway Agreement.....	36
3.1.40	Bloomberg Lease.....	36
3.1.41	Condominium Documents.....	36
3.1.42	Unit Contracts.....	36
3.1.43	ZLDA.....	36
3.1.44	Full and Accurate Disclosure.....	36
3.1.45	Foreign Person.....	36
3.1.46	Investment Company Act.....	36
3.1.47	Organizational Structure.....	36
3.1.48	Tax Certificates.....	37
3.1.49	Inclusionary Housing Program.....	37
Section 3.2	Continuing Effectiveness and Survival of Representations.....	37

IV. BORROWER COVENANTS

Section 4.1	Borrower Affirmative Covenants.....	37
4.1.1	Existence; Compliance with Legal Requirements.....	37
4.1.2	Taxes and Other Charges.....	37
4.1.3	Litigation.....	37
4.1.4	Access to Property.....	37
4.1.5	Further Assurances; Supplemental Mortgage Affidavits.....	38
4.1.6	Financial Reporting.....	38
4.1.7	Title to the Property.....	38
4.1.8	Estoppel Statement.....	38
4.1.9	Leases.....	39
4.1.10	Alterations.....	39
4.1.11	Financial Covenants.....	39

4.1.12	Updated Appraisal.....	39
4.1.13	Facility Fee and Administrative Fee.....	39
4.1.14	Interest Rate Protection Agreement.....	39
4.1.15	Intentionally Omitted.....	39
4.1.16	Intentionally Omitted.....	39
4.1.17	Insurance.....	39
4.1.18	Intentionally Omitted.....	39
4.1.19	Supplemental Loan Costs and Expenses.....	39
4.1.20	Fees.....	39
4.1.21	Intentionally Omitted.....	40
4.1.22	Intentionally Omitted.....	40
4.1.23	Intentionally Omitted.....	40
4.1.24	Construction Consultant/Duties and Access.....	40
4.1.25	Intentionally Omitted.....	41
4.1.26	Books and Records.....	41
4.1.27	Indebtedness.....	41
4.1.28	Maintain Existence.....	41
4.1.29	Bonds.....	41
4.1.30	Financing Publicity.....	41
4.1.31	Easements and Restrictions; Zoning.....	41
4.1.32	Laborers, Subcontractors and Materialmen.....	41
4.1.33	Ownership of Personalty.....	41
4.1.34	Comply with Other Supplemental Loan Documents.....	41
4.1.35	Purchase of Material Under Conditional Sale Contract.....	41
4.1.36	Further Assurance of Title.....	41
4.1.37	Condominium.....	42
4.1.38	Tax Benefits.....	42
4.1.39	Inclusionary Housing Program.....	42
4.1.40	ERISA.....	42
4.1.41	Intentionally Omitted.....	42
4.1.42	Intentionally Omitted.....	42
4.1.43	REA42	
Section 4.2	Borrower Negative Covenants.....	42
4.2.1	Due on Sale and Encumbrance; Transfers of Interests.....	42
4.2.2	Liens.....	42
4.2.3	Dissolution.....	42
4.2.4	Change in Business.....	42
4.2.5	Debt Cancellation.....	43
4.2.6	Affiliate Transactions.....	43
4.2.7	Zoning.....	43
4.2.8	Assets.....	43
4.2.9	No Joint Assessment.....	43
4.2.10	Principal Place of Business.....	43
4.2.11	ERISA.....	43
4.2.12	No Distributions.....	43
4.2.13	Change Orders.....	43

4.2.14	Indebtedness.....	43
4.2.15	Organizational Documents.....	43

V. INSURANCE, CASUALTY AND CONDEMNATION

5.1.1	Insurance Coverage.....	43
5.1.2	Intentionally Omitted.....	43
5.1.3	Intentionally Omitted.....	43
Section 5.2	Casualty and Condemnation.....	43
Section 5.3	Delivery of Net Proceeds.....	44

VI. NET CASH FLOW FUNDS

Section 6.1	Deposits of NCF Funds.....	44
Section 6.2	Intentionally Omitted.....	44
Section 6.3	Security Interest in Funds.....	44
Section 6.4	Cash Management.....	44

VII. PROPERTY MANAGEMENT AND REA

Section 7.1	The Management Agreement.....	44
Section 7.2	Prohibition Against Termination or Modification.....	44
Section 7.3	Replacement of Manager.....	44

VIII. TRANSFERS

Section 8.1	Agent's and Lenders' Reliance.....	44
Section 8.2	No Transfers.....	45
Section 8.3	Permitted Transfers.....	45
8.3.1	Permitted Transfers.....	45

IX. DEFAULTS

Section 9.1	Events of Default.....	46
Section 9.2	Rights and Remedies of Agent and Lenders.....	47
9.2.1	Remedies.....	47
9.2.2	Power of Attorney.....	50
9.2.3	Remedies Cumulative.....	50
9.2.4	Annulment of Defaults.....	50
9.2.5	Waivers.....	51
9.2.6	Course of Dealing, Etc.....	51
Section 9.3	Remedies Cumulative.....	51

X. MISCELLANEOUS

Section 10.1	Successors and Assigns.....	52
Section 10.2	Agent's and Lender's Discretion.....	52
Section 10.3	Governing Law, Jurisdiction and Agent for Service.....	52
Section 10.4	Modification, Waiver in Writing.....	53
Section 10.5	Delay Not a Waiver.....	54
Section 10.6	Notices.....	54
Section 10.7	Trial by Jury.....	54
Section 10.8	Headings.....	54
Section 10.9	Severability.....	54
Section 10.10	Preferences.....	55
Section 10.11	Waiver of Notice.....	55
Section 10.12	Remedies of Borrower.....	55
Section 10.13	Expenses; Indemnity.....	55
Section 10.14	Schedules and Exhibits Incorporated.....	56
Section 10.15	Offsets, Counterclaims and Defenses.....	56
Section 10.16	No Joint Venture or Partnership; No Third Party Beneficiaries.....	56
Section 10.17	Publicity.....	56
Section 10.18	Reserved.....	56
Section 10.19	Waiver of Offsets/Defenses/Counterclaims.....	56
Section 10.20	Conflict; Construction of Documents; Reliance.....	56
Section 10.21	Brokers and Financial Advisors.....	57
Section 10.22	Prior Agreements.....	57
Section 10.23	Joint and Several Liability.....	57
Section 10.24	Assignments.....	58
Section 10.25	Adjustments; Set-Off.....	60
Section 10.26	Counterparts.....	60

XI. AGENT

Section 11.1	Performance by Agent.....	60
Section 11.2	Actions.....	61
Section 11.3	Nonliability of Agent and Lenders.....	61
Section 11.4	Authorization and Action.....	61
Section 11.5	Agent's Reliance, Etc.....	64
Section 11.6	Agent as a Lender.....	64
Section 11.7	Distribution of Payments by Agent to Lenders.....	64
Section 11.8	Assignment Upon Repayment.....	65

Index to Schedules and Exhibits

SCHEDULES

SCHEDULE I - Lenders' Ratable Share

EXHIBITS

EXHIBIT A The Land

SUPPLEMENTAL LOAN AGREEMENT

THIS SUPPLEMENTAL LOAN AGREEMENT, dated as of July 3, 2002 (as amended, restated, replaced, supplemented or otherwise modified from time to time, this "AGREEMENT"), between 731 COMMERCIAL LLC ("COMMERCIAL OWNER") and 731 RESIDENTIAL LLC ("RESIDENTIAL OWNER"), each a Delaware limited liability company, having its principal place of business at 888 Seventh Avenue, New York, New York 10019, collectively as Borrower ("BORROWER"), and BAYERISCHE HYPO- UND VEREINSBANK AG, NEW YORK BRANCH, a German banking corporation organized under the laws of the Federal Republic of Germany, having an address at 622 Third Avenue, New York, New York 10017, as administrative agent (including any of its successors and assigns, "AGENT") for itself and the other Lenders signatory hereto (collectively, together with such other co-lenders as may exist from time to time, "LENDERS").

All capitalized terms used herein shall have the respective meanings set forth in Article I hereof.

W I T N E S S E T H :
- - - - -

WHEREAS, Borrower desires to obtain the Loan from Lenders; and

WHEREAS, each Lender is severally willing to make the Loan to Borrower, subject to and in accordance with the conditions and terms of this Agreement and the other Loan Documents.

NOW, THEREFORE, in consideration of the covenants set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree, represent and warrant as follows:

I. DEFINITIONS; PRINCIPLES OF CONSTRUCTION

SECTION 1.1 DEFINITIONS.

For all purposes of this Agreement, except as otherwise expressly provided, the following terms shall have the respective meanings set forth below. All other capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Building Loan Agreement.

"ADDITIONAL COSTS" shall have the meaning as set forth in Section 2.2.4(a).

"ADDITIONAL INTEREST" shall mean any and all amounts that may become due and payable by Borrower pursuant to Section 2.2.4, Section 2.2.7 or Section 2.2.8.

"ADMINISTRATIVE FEE" shall mean, collectively, (i) that portion of the "Administrative Fee" under (and as defined in) the Loan Fee Letter allocable to the

Supplemental Loan and (ii) any additional administrative fee payable by Borrower to Agent pursuant to the Cash Collateral Agreement for any calendar month in which more than one disbursement of the Supplemental Cash Collateral is made.

"ADVANCE" or "ADVANCES" shall mean any disbursement of the proceeds of the Supplemental Loan by Lenders pursuant to the terms of this Agreement.

"AFFILIATE" shall mean, as to any Person, any other Person that, (i) directly or indirectly, owns more than forty percent (40%) of, (ii) is in control of, is controlled by or is under common control with such Person or (iii) is a director or officer of such Person or of an Affiliate of such Person. As used in this definition the term "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management, policies or activities of a Person, whether through ownership of voting securities, by contract or otherwise.

"AGENT" shall mean Bayerische Hypo- und Vereinsbank AG, New York Branch, a German banking corporation organized under the laws of the Federal Republic of Germany, together with its permitted successors and assigns, acting in its capacity as administrative agent to the Lenders hereunder and under the other Loan Documents.

"AGENT'S REGISTER" shall have the meaning as set forth in Section 10.23.

"AGREEMENT REGARDING INSTRUCTIONS GIVEN BY TELEPHONE OR FACSIMILE" shall mean the Agreement Regarding Instruction Given by Telephone or Facsimile, dated the date hereof, which shall be in the form attached to the Building Loan Agreement as SCHEDULE XVII and shall be executed and delivered by Borrower to Agent contemporaneously herewith.

"ALEXANDER'S" shall mean Alexander's Inc., a Delaware corporation, together with its successors and assigns.

"ALTA" shall mean American Land Title Association, or any successor thereto.

"APPLICABLE INTEREST RATE" shall mean either (i) the LIBO Adjusted Rate plus the LIBOR Margin with respect to any period when the Loan (or the applicable portion thereof) is a LIBOR Loan or (ii) the Base Rate plus the Base Rate Margin with respect to any period when the Loan (or the applicable portion thereof) is a Base Rate Loan.

"APPLICABLE LENDING OFFICE" shall mean the related "Lending Office" of each Lender (or of an Affiliate of such Lender) designated for such Lender on the signature page hereof or such other Office of Lender (or of an Affiliate of Lender) as each Lender may from time to time specify to Borrower as the office by which the Loan is to be made and/or maintained by such Lender.

"APPROVAL", "APPROVED", "APPROVAL" or "APPROVED" shall mean, as the context so determines, an approval in writing given to the party seeking approval, subject, nevertheless, to the express provisions of this Agreement for which a "deemed approval mechanism" (as defined in Section 10.6 of the Building Loan Agreement) is set forth.

"ASSIGNMENT AND ACCEPTANCE" shall have the meaning as set forth in Section 10.24(b)(vi).

"ASSIGNMENT OF CONTRACTS" shall mean that certain Assignment of Contracts, Licenses and Permits, dated the date hereof, from Borrower, as assignor, to Agent, as assignee.

"ASSIGNMENT OF INTEREST RATE PROTECTION AGREEMENT" shall mean that certain Assignment of Interest Rate Protection Agreement among Borrower, Agent and the Counterparty to the related Interest Rate Protection Agreement, to be entered into pursuant to Section 4.1.14 of the Building Loan Agreement.

"ASSIGNMENT OF LEASES" shall mean, collectively, the Building Loan Assignment of Leases, the Supplemental Loan Assignment of Leases and the Project Loan Assignment of Leases.

"AUTHORIZED REPRESENTATIVES" shall mean those Persons authorized pursuant to the Requisition Authorization Statement to execute and deliver on behalf of Borrower Borrower's Requisition.

"BASE RATE" shall mean, as determined on a daily basis, the rate of interest per annum equal to the greater of (i) the Prime Rate in effect on that day or (ii) the Federal Funds Rate in effect on that day plus one half (1/2) of one (1%) percent per annum.

"BASE RATE LOAN(S)" shall mean Loan(s) (or applicable portions thereof) having a rate of interest per annum equal to the Base Rate plus the Base Rate Margin.

"BASE RATE MARGIN" shall mean three quarters (3/4) of one (1%) percent per annum, provided that the "Base Rate Margin" shall be reduced and shall mean one quarter (1/4) of one (1%) percent per annum during the Extension Periods.

"BORROWER" shall mean, collectively and individually as the context requires, Commercial Owner and Residential Owner, together with their respective permitted successors and permitted assigns.

"BORROWER'S DESIGNATED ACCOUNT" shall mean the bank account designated by Borrower pursuant to Borrower's Requisition Letter as the checking account at HVB or such other account as may be acceptable to Agent into which Advances shall be wired.

"BORROWER'S REQUISITION" shall have the meaning as set forth in Section 2.10.1.

"BORROWING DATE" shall have the meaning as set forth in Section 2.10.1.

"BUILDING LOAN" shall mean the loan made by Lenders to Borrower pursuant to the Building Loan Agreement in the principal amount of up to the Building Loan Amount.

"BUILDING LOAN AGREEMENT" shall mean that certain Building Loan Agreement, dated the date hereof, among Agent, Lenders and Borrower.

"BUILDING LOAN AMOUNT" shall mean Two Hundred Million and No/100 (\$200,000,000.00) Dollars.

"BUILDING LOAN BUDGET" shall mean the budget (which may be set forth by way of a separate column on an overall project budget) for total estimated Building Loan Costs, dated the date hereof, prepared by Borrower and approved by Agent and the Construction Consultant, and all amendments and modifications thereto that occur in accordance with this Agreement.

"BUILDING LOAN COSTS" shall mean all costs and expenses of constructing the Improvements (including Hard Costs and Soft Costs) which are Costs of the Improvements.

"BUSINESS DAY" shall mean any day (other than a Saturday or Sunday) on which commercial banks are not authorized or required to close in New York City and, whenever such day relates to a LIBOR Loan, any such day on which dollar deposits are also carried out in the London interbank market and banks are also open for business in London, England.

"CASH COLLATERAL" shall have the meaning as set forth in the Cash Collateral Agreement.

"CASH COLLATERAL AGREEMENT" shall mean that certain Cash Collateral Agreement dated as of the date hereof between Borrower and Agent.

"CLOSING DATE" shall mean the date of funding the Initial Advance of the Building Loan.

"COUNTERPARTY" shall mean each counterparty to, or issuer of, any Interest Rate Protection Agreement other than Borrower or an Affiliate of Borrower.

"DEBT" shall mean the outstanding principal amount of the Supplemental Loan together with all interest accrued and unpaid thereon and all other sums (including, without limitation, any amounts payable to Lenders pursuant to Section 2.2) due to Lenders in respect of the Supplemental Loan under the Supplemental Loan Note, this Agreement, the Supplemental Loan Mortgage, the Environmental Indemnity or any other Supplemental Loan Document.

"DEFAULT" shall mean the occurrence of any event under this Agreement or under any other Loan Document which, but for the giving of notice or passage of time, or both, would be an Event of Default.

"DEFAULT RATE" shall mean the rate of interest per annum equal to the sum of the Base Rate plus 5%.

"DEFAULTING LENDER" has the meaning as set forth in Section 2.10.4(c).

"DEFICIENCY" or "DEFICIENCIES" has the meaning as set forth in Section 2.10.4(c).

"DISBURSEMENT SCHEDULE" shall mean the schedule of the amounts of Advances anticipated to be requisitioned by Borrower each month during the term of the Building Loan dated as of the date hereof.

"DRAW REQUEST" shall mean, with respect to each Advance, Borrower's request for such Advance, and documents required by this Agreement to be furnished to Agent as a condition to such Advance.

"ELIGIBLE ASSIGNEE" shall mean (i) any lender to Vornado or any of its Affiliates pursuant to its existing Revolving Credit Agreement (as defined in the Guaranty of Completion) (whether or not such Revolving Credit Agreement shall hereafter remain in effect), or pursuant to any replacement credit facility, (ii) GMAC and (iii) any other lender that is approved by Borrower, which approval shall not be unreasonably withheld or delayed.

"EUROCURRENCY LIABILITIES" shall have the meaning specified in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time and including any successor regulation thereto.

"EVENT OF DEFAULT" shall have the meaning as set forth in Section 9.1.

"EXCLUDED TAXES" means, with respect to Agent, each Lender or any other recipient of any payment to be made by or on account of any obligation of Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of such Lender, in which its Applicable Lending Office is located, and (b) any branch profits taxes imposed by the United States of America or any similar law imposed by any other jurisdiction in which Borrower is located.

"EXTENSION PERIOD" shall mean each of the First Extension Period and the Second Extension Period.

"FEDERAL FUNDS RATE" shall mean, for any period, a fluctuating interest rate per annum (based on a 360 day year) equal, for each day of such period, to the rate of interest quoted at 11:00 a.m. New York time charged on overnight federal funds transactions with member banks of the Federal Reserve System.

"FIRST EXTENDED MATURITY DATE" shall mean January 3, 2007.

"FIRST EXTENSION NOTICE" shall have the meaning set forth in Section 2.1.5 of the Building Loan Agreement.

"FIRST EXTENSION PERIOD" shall mean a period of twelve (12) consecutive months following the Initial Maturity Date.

"FUNDING STATEMENT" shall mean that certain funding statement to be executed and delivered by Borrower in connection with the closing of the Loan in the form attached to the Building Loan Agreement as SCHEDULE XIII.

"GUARANTOR" shall mean each of Vornado and Alexander's in their capacities as the "Guarantor" under their respective Guaranties.

"GUARANTY" shall mean, collectively, the Guaranty of Completion, the Guaranty of Carrying Costs and each Guaranty of Limited Recourse Obligations.

"GUARANTY OF CARRYING COSTS" shall mean that certain Guaranty of Carrying Costs from Alexander's in favor of Agent dated the date hereof.

"GUARANTY OF COMPLETION" shall mean that certain Guaranty of Completion from Vornado in favor of Agent dated the date hereof.

"GUARANTY OF LIMITED RECOURSE OBLIGATIONS" shall mean, collectively, (i) that certain Guaranty of Limited Recourse Obligations from Alexander's in favor of Agent dated the date hereof and (ii) that certain Guaranty of Limited Recourse Obligations from Vornado in favor of Agent dated the date hereof.

"HARD COSTS" shall mean those Building Loan Costs which are for labor, materials, equipment and fixtures.

"HVB" shall mean Bayerische Hypo- und Vereinsbank AG, New York Branch, a German banking corporation organized under the laws of the Federal Republic of Germany, together with its successors and assigns.

"INDEMNIFIED LIABILITIES" shall have the meaning as set forth in Section 10.13(b) of the Building Loan Agreement.

"INDEMNIFIED PARTY" shall have the meaning as set forth in Section 10.13(b) of the Building Loan Agreement.

"INITIAL MATURITY DATE" shall mean January 3, 2006.

"INTEREST PERIOD" shall mean, with respect to any LIBOR Loan:

(a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such LIBOR Loan and ending one, two, three, six or twelve months thereafter, as selected by Borrower in its Rate Request given with respect thereto; and

(b) thereafter, each period commencing on the last day of the then expiring Interest Period applicable to such LIBOR Loan and ending one, two, three, six or twelve months thereafter, as selected by Borrower in its Rate Request; provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period pertaining to a LIBOR Loan would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period that would otherwise extend beyond the Maturity Date shall end on the Maturity Date; and

(iii) any Interest Period pertaining to a LIBOR Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the first, second, third, sixth or twelfth calendar month thereafter (as the case may be).

Notwithstanding the foregoing, the selection of the duration of any Interest Period during the initial term of the Loan shall be limited to the same interest period duration as shall pertain to the LIBOR Rate under the Interest Rate Protection Agreement.

"INTEREST RATE PROTECTION AGREEMENT" shall mean one or more interest rate caps (together with the schedules relating thereto) in form and substance reasonably satisfactory to Lender, with a confirmation from the Counterparty thereto Counterparty in the form attached to the Building Loan Agreement as EXHIBIT C-1 between Borrower and, subject to Section 4.1.11 of the Building Loan Agreement, a Counterparty reasonably acceptable to Agent with a Minimum Counterparty Rating, and all amendments, restatements, replacements, supplements and modifications thereto.

"LAND" shall mean the land more particularly described on EXHIBIT A attached hereto and includes all rights appurtenant thereto, including, without limitation, all development rights, if any, acquired by Borrower pursuant to any air rights agreements pertaining thereto.

"LIBO ADJUSTED RATE" shall mean, with respect to any Interest Period pertaining to a LIBOR Loan, the LIBO Rate for such Interest Period divided by (1 minus the Reserve Requirement) for such Interest Period.

"LIBO RATE" shall mean, with respect to any Interest Period pertaining to a LIBOR Loan, the rate of interest per annum quoted by HVB at approximately 11:00 a.m. New York time two (2) Business Days prior to the beginning of such Interest Period for the offering to leading banks in the London interbank market of dollar deposits for delivery on the first day of such Interest Period for a period equal to such Interest Period and in an amount comparable to the amount of the LIBOR Loan to be outstanding during such Interest Period.

"LIBOR LOAN(S)" shall mean Loan(s) (or applicable portions thereof) having a rate of interest per annum determined in accordance with the following formula:

$$\begin{array}{r} \text{LIBO Rate} \qquad \qquad \qquad + \qquad \text{LIBOR Margin} \\ \hline 1.00 - \text{Reserve Requirements} \end{array}$$

"LIBOR MARGIN" shall mean two and one half percent (2-1/2%) per annum, provided that the "LIBOR Margin" shall be reduced and shall mean two percent (2%) per annum during the Extension Periods.

"LOAN" shall mean, collectively, the Building Loan, the Supplemental Loan and the Project Loan.

"LOAN AGREEMENTS" shall mean, collectively, this Agreement, the Building Loan Agreement and the Project Loan Agreement.

"LOAN BUDGET" shall have the meaning as set forth in Section 2.1.6 of the Building Loan Agreement.

"LOAN DOCUMENTS" shall mean, collectively, the Building Loan Documents, the Supplemental Loan Documents and the Project Loan Documents.

"LOAN FEE LETTER" shall mean that certain letter agreement dated as of the date hereof between Agent and Borrower pertaining to the fees payable by Borrower to Agent and Lenders.

"LONDON BUSINESS DAY" shall mean any Business Day other than a Business Day on which commercial banks are not open for dealing in U.S. dollars in the London interbank market in London, England.

"LOSSES" shall have the meaning as set forth in Section 10.13(b) of the Building Loan Agreement.

"MAJOR DECISION" has the meaning as set forth in Section 11.4(e).

"MAJORITY LENDERS" shall mean, at any time, Lenders owed more than fifty-one percent (51%) of the then aggregate unpaid principal amount of the Loan, after subtracting the interest or interests owned by any Defaulting Lender(s).

"MATURITY DATE" shall mean January 3, 2006 or such earlier date on which the final payment of principal of the Supplemental Loan Note becomes due and payable as therein or herein provided, whether at such stated maturity date, by declaration of acceleration, or otherwise; provided, however, that if Borrower exercises its right to extend the term of the Loan for the First Extension Period and, in accordance with the terms of this Agreement, the Building Loan Agreement and the Project Loan Agreement, the term of the Loan is so extended, from and after such extension of the term of the Loan, the "MATURITY DATE" shall mean January 3, 2007, or such earlier date on which the final payment of principal of the Supplemental Loan Note becomes due and payable as therein or herein provided, whether at such stated maturity date, by declaration of acceleration, or otherwise; and provided further that if Borrower exercises its right to extend the term of the Loan for the Second Extension Period and, in accordance with the terms of this Agreement, the Building Loan Agreement and the Project Loan Agreement, the term of the Loan is so extended, from and after such extension of the term of the Loan, the "MATURITY DATE" shall mean January 3, 2008, or such earlier date on which the final payment of principal of the Supplemental Loan 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 nonusurious 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 Supplemental Loan Note and as provided for herein or the other Supplemental 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.

"MINIMUM COUNTERPARTY RATING" shall mean a credit rating from S&P and Fitch of at least "A" and from Moody's of at least "A2".

"MORTGAGE" shall mean, collectively, the Supplemental Loan Mortgage, the Building Loan Mortgage and the Project Loan Mortgage.

"NOTE" shall mean, collectively, the Building Loan Note, the Supplemental Loan Note and the Project Loan Note.

"NOTICE" shall have the meaning as set forth in Section 10.6.

"OFFICER'S CERTIFICATE" shall mean a certificate delivered to Agent by Borrower which is signed by an authorized senior officer of Borrower's managing member (without personal recourse to such officer).

"OTHER DEBT" shall mean, collectively, the "Debt" as defined in each of the Building Loan Agreement and the Project Loan Agreement.

"PAYMENT AND PERFORMANCE BONDS" shall mean dual-obligee payment and performance bonds relating to the Construction Manager and each Major Trade Contractor, issued by a surety company or companies and in form and content reasonably acceptable to Agent, in each case in an amount not less than the full contract price; together with a dual obligee and modification rider in the form attached hereto as SCHEDULE XX to the Building Loan Agreement.

"PAYMENT DATE" shall mean the date on which, pursuant to Sections 2.2.1 and 2.4.1, Borrower is obligated to make an interest payment hereunder.

"PERMITTED TRANSFERS" shall have the meaning as set forth in Section 8.3.

"PERSON" shall mean any individual, corporation, partnership, limited liability company, joint venture, estate, trust, unincorporated association, any other entity, 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.

"PRIME RATE" shall mean, as determined on a daily basis, the rate of interest publicly announced by HVB in New York from time to time as its prime commercial lending rate. The prime rate is not intended to be the lowest rate of interest charged by HVB in connection with extensions of credit to debtors.

"PROJECT CASH COLLATERAL" shall have the meaning set forth in the Cash Collateral Agreement.

"PROJECT LOAN" shall mean the loan being made by Lenders to Borrower with respect to the Property that is the subject of the Project Loan Agreement.

"PROJECT LOAN AGREEMENT" shall mean that certain Project Loan Agreement dated as of even date herewith among Agent, Lenders and Borrower.

"PROJECT LOAN ASSIGNMENT OF LEASES" shall have the meaning as set forth in the Project Loan Agreement.

"PROJECT LOAN DOCUMENTS" shall have the meaning as set forth in the Project Loan Agreement.

"PROJECT LOAN MORTGAGE" shall have the meaning as set forth in the Project Loan Agreement.

"PROJECT LOAN NOTE" shall have the meaning as set forth in the Project Loan Agreement.

"PROPERTY" shall mean the Land, the Improvements now or hereafter erected thereon and all personal property owned by Borrower and encumbered by the Supplemental Loan Mortgage, together with all rights pertaining to such property and Improvements, as more particularly described in the Granting Clauses of the Supplemental Loan Mortgage, and shall exclude any Residential Unit (and the appurtenant common elements) from and after the release of such Residential Unit from the liens of the Building Loan Mortgage, the Supplemental Loan Mortgage and the Project Loan Mortgage.

"QUALIFYING CONTRACT" shall mean a contract for the sale of any Unit that satisfies the requirements of Section 4.1.37(g)(iii) of the Building Loan Agreement.

"RATABLE SHARE" or "RATABLY" shall mean, with respect to any Lender, its share of the Loan based on the proportion of the outstanding principal of the Loan advanced by such Lender to the total outstanding principal amount of the Loan. The Ratable Share of each Lender on the date of this Agreement is set forth on SCHEDULE I.

"RATE REQUEST" shall mean Borrower's irrevocable telephonic notice (to be promptly confirmed in writing), to be received by Agent by 11:00 a.m. New York time three (3) Business Days prior to the date specified in the Rate Request for the commencement of the Interest Period (which specified date must be a Business Day), of: (a) its intention to have (i) all or any portion of the principal amount under the Note which is not then the subject of an Interest Period (other than an Interest Period which is terminating on the Business Day specified in the notice), and/or (ii) all or any portion of any advance of proceeds of the Loan evidenced by the Note, which is to be made on the Business Day specified in the notice, bear interest as either a Base Rate Loan or a LIBOR Loan; and (b) the Interest Period desired by Borrower in respect of the amount specified whenever such notice is for LIBOR Loans.

"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 of the Board of Governors of the Federal Reserve System) applying to a class of banks including any Lenders or the adoption or making after such date of any interpretation, directive or request applying to a class of banks including any Lenders 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.

"REQUISITION AUTHORIZATION STATEMENT" shall mean the Requisition Authorization Statement dated the date hereof, which shall be in the form attached to the Building Loan Agreement as SCHEDULE XVIII and shall be executed and delivered by Borrower to Agent contemporaneously herewith.

"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 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 eurocurrency funding (currently referred to as "EUROCURRENCY LIABILITIES" in Regulation D) required to be maintained by the applicable Lender or its Participants, if any. Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by any Lender or any Lender's respective Participants, if any, by reason of any Regulatory Change against (i) any category of liabilities which includes deposits by reference to which the LIBO Rate is to be determined as provided in this Agreement or (ii) any category of extensions of credit or other assets which includes loans the interest rate on which is determined on the basis of rates used in determining the LIBO Rate.

"RESIDENTIAL OWNER" shall mean 731 Residential LLC, a Delaware limited liability company, together with its permitted successors and assigns.

"RETAINAGE" shall mean, for each construction contract and construction subcontract, the greater of (a) ten percent (10%) of all costs incurred by Borrower for work performed by the contractor or subcontractor under the contract or subcontract until such time as the labor or materials provided under such contract or subcontract is fifty percent (50%) complete as certified by the Construction Consultant at which time no further Retainage under such contract or subcontract shall be required and (b) the actual retainage required under such contract or subcontract.

"SECOND EXTENDED MATURITY DATE" shall mean January 3, 2008.

"SECOND EXTENSION NOTICE" shall have the meaning as set forth in Section 2.1.5 of the Building Loan Agreement.

"SECOND EXTENSION PERIOD" shall mean a period of twelve (12) consecutive months following the First Extended Maturity Date.

"SEVERED LOAN DOCUMENTS" shall have the meaning as set forth in Section 9.2.1(c).

"SOFT COSTS" shall mean those Building Loan Costs which are not Hard Costs, including, but not limited to, architect's, engineer's and construction manager's fees, interest on the Building Loan, recording taxes and title charges in respect of the Building Loan Mortgage, and Other Charges, Insurance Premiums and such other non-construction costs as are part of the "cost of improvement" as defined under the Lien Law.

"SPREAD MORTGAGE" shall mean a mortgage securing indebtedness in the principal amount of a requested Advance hereunder, which mortgage shall have been spread to encumber the Property.

"SPREAD MORTGAGE NOTE" shall mean, with respect to a Spread Mortgage, the mortgage note secured thereby.

"SPREADSHEET" shall have the meaning as set forth in Section 2.9.1(e)(xiii).

"STATE" shall mean the State or Commonwealth in which the Property or any part thereof is located.

"SUPPLEMENTAL CASH COLLATERAL" shall have the meaning set forth in the Cash Collateral Agreement.

"SUPPLEMENTAL CASH COLLATERAL ACCOUNT" shall have the meaning set forth in the Cash Collateral Agreement.

"SUPPLEMENTAL LOAN" shall mean the loan being made by Lenders to Borrower with respect to the Property that is the subject of this Agreement.

"SUPPLEMENTAL LOAN ASSIGNMENT OF LEASES" shall mean that certain second priority Assignment of Leases and Rents, dated the date hereof, from Borrower, as assignor, to Agent, as assignee, as amended and/or restated from time to time, in conjunction with the filing the consolidated Supplemental Loan Mortgage.

"SUPPLEMENTAL LOAN COSTS" shall mean those Building Loan Costs set forth in the Loan Budget which are to be funded out of Loan Proceeds in excess of \$145,000,000 for Hard Costs and \$55,000,000 for Soft Costs.

"SUPPLEMENTAL LOAN DOCUMENTS" shall mean, collectively, this Agreement, the Supplemental Loan Note, the Supplemental Loan Mortgage, the Supplemental Loan Assignment of Leases, the Assignment of Contracts, the Environmental Indemnity, the Loan Fee Letter, the Requisition Authorization Statement, the Funding Statement, the Agreement Regarding Instructions by Telephone or Facsimile, the Guaranty of Completion, the Guaranty of Carrying Costs, each Guaranty of Limited Recourse Obligations, the Assignment of Interest Rate Protection Agreement when executed and delivered pursuant to the Building Loan Agreement, the

Assignment of Negotiable Certificates, the Intercreditor and Subordination Agreement, the Cash Collateral Agreement, as well as all other documents now or hereafter executed and/or delivered with respect to the Supplemental Loan.

"SUPPLEMENTAL LOAN MORTGAGE" shall mean a series of amended, restated and consolidated mortgages (which shall have amended, restated and consolidated the Spread Mortgages), together constituting a second priority consolidated, amended and restated mortgage, assignment of leases and rents and security agreement, executed and delivered by Borrower, as mortgagor, to Agent, as mortgagee, as security for the Supplemental Loan and encumbering the Property.

"SUPPLEMENTAL LOAN NOTE" shall have the meaning as set forth in Section 2.1.3.

"SURVEY" shall mean a survey of the Property prepared by a surveyor licensed in the State and satisfactory to Agent and the company or companies issuing the Title Insurance Policy, and containing a certification of such surveyor satisfactory to Agent.

"TITLE COMPANY" shall mean, collectively, the title insurance companies listed on SCHEDULE XXX to the Building Loan Agreement, which are insuring the Liens of the Mortgage.

"TITLE INSURANCE POLICY" shall mean the ALTA mortgagee title insurance policies issued by Commonwealth Land Title Insurance Company and pursuant to "Me-Too" Endorsements the other Title Companies in the form (acceptable to Agent) issued with respect to the Property and insuring the Lien of the Supplemental Loan Mortgage.

"TOTAL DEBT" shall mean, collectively, the Debt and Other Debt.

"TRANSFER" shall have the meaning as set forth in the Supplemental Loan Mortgage.

"TREASURY RATE" shall mean, as of the time in question, the yield, calculated by linear interpolation rounded to the nearest one-thousandth of one percent (i.e., 0.001%) of the yields of noncallable United States Treasury obligations with terms of ten (10) years from such date of determination, as determined by Agent on the basis of Federal Reserve Statistical Release H.15-Selected Interest Rates under the heading U.S. Governmental Security/Treasury Constant Maturities, or other recognized source of financial market information selected by Agent.

"VORNADO" shall mean Vornado Realty L.P., a Delaware limited partnership, together with its successors and assigns.

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. 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, 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). 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.

II. THE LOAN

SECTION 2.1 THE LOAN AND ADVANCES.

2.1.1 AGREEMENT TO LEND AND BORROW. (a) Subject to and upon the terms and conditions set forth herein, Lenders severally and not jointly agree to make Advances of the Supplemental Loan to Borrower from time to time, in accordance with the provisions hereof, during the period from the date hereof to the Maturity Date, and Borrower shall accept the Advances of the Supplemental Loan from Lenders, in an aggregate principal amount of up to TWO HUNDRED FIFTEEN MILLION THREE HUNDRED SIXTEEN THOUSAND EIGHT HUNDRED EIGHTEEN AND NO/100 DOLLARS (\$215,316,818).

(b) No Lender is obligated to fund amounts in excess of its Ratable Share of the Supplemental Loan Amount as set forth on SCHEDULE I, but if the Supplemental Loan Amount is increased or Agent makes funds available in excess of the total Supplemental Loan Amount, each Lender shall have the right to elect at its own discretion whether to provide funds to Agent to fund amounts in excess of the Supplemental Loan Amount. If and to the extent any Lender shall fund amounts in excess of the Supplemental Loan Amount for any purpose, such Lender's Ratable Share of the Supplemental Loan shall be adjusted from time to time based on the total amounts advanced by all of Lenders from time to time in respect of the Supplemental Loan.

2.1.2 NO REBORROWINGS. Any amount borrowed and repaid hereunder in respect of the Supplemental Loan may not be reborrowed.

2.1.3 THE NOTE. The Supplemental Loan shall be evidenced by one or more consolidated, amended and restated supplemental loan notes, made by Borrower to each Lender in the respective principal amounts of the related Lender's Ratable Share of the Supplemental Loan, and all of which notes shall collectively be in the aggregate principal amount of TWO HUNDRED FIFTEEN MILLION THREE HUNDRED SIXTEEN THOUSAND EIGHT HUNDRED EIGHTEEN AND NO/100 DOLLARS (\$215,316,818) (collectively, as the same may be amended, supplemented, restated, increased, extended and consolidated, substituted or replaced from time to time, the "SUPPLEMENTAL LOAN NOTE") and shall be repaid in accordance with the terms of this Agreement and the Supplemental Loan Note.

2.1.4 USE OF PROCEEDS. The proceeds of the Supplemental Loan shall be used to acquire by assignment the Spread Mortgages and the Spread Mortgage Notes when the same are spread to encumber the Property, which Spread Mortgages and Spread Mortgage Notes shall be amended and restated to be on the terms set forth in the Supplemental Loan Mortgage and the Supplemental Loan Note, all in accordance with and subject to the terms of this Agreement. The consideration to be paid to Borrower to permit the spreading of such Spread Mortgages to the Property shall be deposited in the Collateral Account as hereinafter provided and disbursed in

accordance with the terms of the Cash Collateral Agreement to pay or reimburse Borrower for Supplemental Loan Costs actually incurred in connection with the construction of the Improvement if and to the extent that such Supplemental Loan Costs are reflected in the Building Loan Budget, subject to reallocation pursuant to Sections 2.1.7 and 4.2.13 of the Building Loan Agreement (or other reallocations approved by Agent in its sole discretion).

2.1.5 LOAN TERM AND EXTENSION OPTIONS. (a) The term of the Supplemental Loan shall commence on the Closing Date and shall end on January 3, 2006, unless extended as hereinafter provided.

(b) Borrower shall have an option to extend the term of the Building Loan, the Supplemental Loan and the Project Loan until the First Extended Maturity Date, subject to satisfaction of the conditions set forth in Section 2.1.5(b) of the Building Loan Agreement

(c) In addition, provided that Borrower shall have previously exercised its option to extend the term of the Loan for the First Extension Period, Borrower shall have a further option to extend the term of the Loan as previously extended, until the Second Extended Maturity Date, subject to satisfaction of the conditions set forth in Section 2.1.5(c) of the Building Loan Agreement.

2.1.6 INTENTIONALLY OMITTED.

2.1.7 INTENTIONALLY OMITTED.

2.1.8 ADVANCES. Lenders shall not be required to disburse proceeds of the Supplemental Loan to acquire a Spread Mortgage and accompanying Spread Mortgage Note for any more than the amount of the outstanding principal balance of such Spread Mortgage provided that such amount shall not exceed by more than \$10,000,000 the amount that Borrower has requisitioned for and is entitled to as a disbursement of Supplemental Cash Collateral from the consideration being paid to Borrower in connection with the spreading of such Spread Mortgage to the Property. No Lender is obligated to fund amounts in excess of its Ratable Share of the Supplemental Loan Amount, but if the Supplemental Loan Amount is increased or Agent makes funds available in excess of the total Supplemental Loan Amount, each Lender shall have the right to elect at its own discretion whether to provide funds to Agent to fund amounts in excess of the Supplemental Loan Amount. If and to the extent any Lender shall fund amounts in excess of the Supplemental Loan Amount for any purpose, such Lender's Ratable Share of the Supplemental Loan shall be adjusted from time to time based on the total amounts advanced by all of Lenders from time to time in respect of the Supplemental Loan.

2.1.9 INTENTIONALLY OMITTED.

2.1.10 INTENTIONALLY OMITTED.

2.1.11 INTENTIONALLY OMITTED.

2.1.12 INTENTIONALLY OMITTED.

2.1.13 REQUIRED EQUITY. (a) All Required Equity shall be contributed (i.e., expended by Borrower and invested in the Property for Building Loan Costs and Project Loan Costs or any other approved cost in connection with the construction of the Improvements), the Building Loan shall be fully funded and all Supplemental Cash Collateral shall be disbursed before any Advances of the Supplemental Loan shall be made. Notwithstanding the foregoing, in the event that (a) the amounts set forth in the Building Loan Budget for Soft Costs that are to be funded out of the Building Loan shall have been fully funded prior to the disbursement in full of the Building Loan, one or more Advances of the Supplemental Loan may be made to acquire Spread Mortgage(s) and Spread Mortgage Note(s) in amounts necessary so as to provide Borrower with Cash Collateral Funds (from the consideration paid to Borrower in connection with the spreading thereof) sufficient to pay for Soft Costs incurred by Borrower through the date of the Draw Request for such Advance plus \$10,000,000 or (b) the amounts set forth in the Building Loan Budget for Hard Costs that are to be funded out of the Building Loan shall have been fully funded prior to the disbursement in full of the Building Loan, one or more Advances of the Supplemental Loan may be made to acquire Spread Mortgage(s) and Spread Mortgage Note(s) in amounts necessary so as to provide Borrower with Cash Collateral Funds (from the consideration paid to Borrower in connection with the spreading thereof) sufficient to pay for Hard Costs incurred by Borrower through the date of the Draw Request for such Advance plus \$10,000,000 provided that all of the other conditions to an Advance of the Supplemental Loan shall have been satisfied. Notwithstanding the foregoing, the aforesaid \$10,000,000 limit shall be the aggregate limit applicable to concurrent advances of the Supplemental Loan and the Project Loan.

(b) The parties acknowledge that the respective amounts of the Supplemental Loan and the Project Loan may require reallocation after Borrower has contributed its Required Equity depending upon the amount of Required Equity in fact used to pay for Project Loan Costs versus Building Loan Costs. The parties agree to enter into such amendments to this Agreement, the Project Loan Agreement and the other Loan Documents as may be reasonably required to reallocate the respective amounts of the Supplemental Loan and the Project Loan, it being understood that the amount of the Supplemental Loan together with the amount of the Project Loan shall in no event exceed \$290,000,000 and it being intended that the amount of the Supplemental Loan shall equal \$290,000,000 less the amount of Project Loan Costs to be funded out of Project Cash Collateral (as defined in the Cash Collateral Agreement) rather than Required Equity.

SECTION 2.2 INTEREST RATE.

2.2.1 INTEREST.

(a) Applicable Interest Rate. The outstanding principal amount of the Supplemental Loan shall bear interest, as provided below, at the Applicable Interest Rate from time to time in effect based upon the LIBO Adjusted Rate or the Base Rate, as Borrower may select as provided below, and Borrower may convert any portion of the principal amount of the Supplemental Loan from one type to another as provided herein; provided, that the portion of the principal amount of the Supplemental Loan converted as aforesaid shall not be less than the minimum amount set forth in Section 2.2.2.

(b) Computation of Interest and Fees. All interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed to the relevant Payment Date, including the first day and excluding the last day (i.e., the relevant Payment Date) and shall be payable in arrears on the first Business Day of the calendar month immediately following the Closing Date and, thereafter, monthly on the first Business Day of each calendar month during the term of the Loan. If a LIBOR Loan or a Base Rate Loan is repaid on the same day on which it is made one (1) day's interest shall be paid on such Loan as well as any amounts payable pursuant to Section 2.2.7. Any change in the Prime Rate or the Federal Funds Rate shall be effective as of the day on which such change in rate occurs. Each determination of an interest rate by Agent pursuant to any provision of this Agreement shall be conclusive and binding on Borrower in the absence of manifest error. Notwithstanding the foregoing, interest payable at the Default Rate following an Event of Default shall be payable from time to time on demand of Agent and in any event, upon the payment or prepayment of any principal of any portion of the Loan, accrued, unpaid interest on the principal amount so paid or prepaid shall be due and payable.

(c) Conversion and Continuation Options.

(i) Base Rate Loan to LIBOR Loan. Subject to the provisions of Section 2.2.2, Borrower may elect pursuant to a Rate Request to convert all or any portion of the outstanding Base Rate Loan to LIBOR Loans provided that no Loan may be converted to a LIBOR Loan: (i) when any Event of Default has occurred under any of the Loan Documents and is continuing and Agent has determined that such a conversion is not appropriate; or (ii) after the date which is one month prior to the Maturity Date.

(ii) LIBOR Loan to Base Rate Loan. Borrower may elect pursuant to a Rate Request to convert all or any portion of the outstanding LIBOR Loans upon the expiration date of its then current Interest Period to a Base Rate Loan.

(iii) LIBOR Loan to LIBOR Loan. Subject to the provisions of Section 2.2.2, any LIBOR Loan may be continued upon the expiration date of its then current Interest Period by Borrower pursuant to a Rate Request, provided that no LIBOR Loan may be continued: (i) when any Event of Default has occurred and is continuing and Agent has determined that such a continuation is not appropriate or (ii) after the date that is one month prior to the Maturity Date. If Borrower fails to submit a Rate Request to Agent in accordance with the provisions of this paragraph, the outstanding LIBOR Loan shall automatically be continued as a one month LIBOR Loan unless the remaining term of the Loan is less than one month in which case the outstanding LIBOR Loan shall automatically be continued as a Base Rate Loan.

2.2.2 MINIMUM AMOUNTS AND MAXIMUM NUMBER OF INTEREST PERIODS. All borrowings, conversions and continuations of the Loan and all selections of Interest Periods, except for borrowings for interest on the Loan and/or fees and expenses of Agent and Lenders, shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of each LIBOR Loan shall be at least equal to \$1,000,000. No more than six (6) LIBOR Loan Interest Periods and one (1) Base Rate Loan in

the aggregate may be outstanding at any time under this Agreement, the Building Loan Agreement and the Project Loan Agreement and the Note.

2.2.3 CERTAIN NOTICES. Notices by Borrower to Agent of borrowings hereunder, optional prepayments of the Supplemental Loan, selection of the duration of Interest Periods, and conversion to or continuation of a LIBOR Loan or a Base Rate Loan shall be irrevocable and shall be effective only if received by Agent in writing or telephonically not later than 11:00 a.m. New York time (and if telephonically, also confirmed in writing by 5:00 p.m. New York time) on the number of Business Days prior to the date of the relevant occurrence specified below:

Notice - - - - -	Prior Notice Requirements -----
Borrowing (including initial selection of Base Rate Loan/LIBOR Loan/Cost of Funds Rate Loan/Interest Period for each borrowing)	3 London Business Days for LIBOR Loan 1 Business Day for Base Rate Loan (and, with respect to the Initial Advance only, if a LIBOR Loan)
Optional Prepayment	5 Business Days
Selection of duration of Interest Period	3 London Business Days
Conversion to LIBOR Loan or Base Rate Loan or continuation as LIBOR Loan	3 London Business Days

Each notice of optional prepayment shall specify the amount of the Building Loan to be prepaid, the date of prepayment (which shall be a Business Day) and such other details as Agent may reasonably request. Notwithstanding the foregoing or anything else to the contrary contained herein, Agent and Lenders shall have the right to apply any prepayment of the Loan, regardless of how specified by Borrower, in such order and priority as between the Building Loan, the Supplemental Loan and the Project Loan as Agent shall designate in its sole discretion. Borrower hereby acknowledges that it is Agent's and Lenders' expectation that prepayments shall be applied first in payment of the Project Loan, then in payment of the Supplemental Loan and, lastly, in payment of the Building Loan.

2.2.4 ADDITIONAL COSTS. (a) If interest is based on a LIBO Adjusted Rate, Borrower shall pay to Agent from time to time, within ten (10) days after demand therefor by Agent, such amounts as each Lender may reasonably determine to be sufficient to compensate such Lender for any costs that such Lender reasonably determines are attributable to its making or maintaining of any portion of the Loan as a LIBOR Loan or its obligation to make any portion of the Loan as a LIBOR Loan hereunder, or any reduction in any amount receivable by such

Lender hereunder in respect of a LIBOR Loan or such obligation (such increases in costs and reductions in amounts receivable being herein called "ADDITIONAL COSTS"), in each case resulting from and limited to the amounts necessary to compensate each Lender for any Regulatory Change (I) which affects similarly situated banks or financial institutions generally and is not applicable to such Lender primarily by reason of such Lender's particular conduct or condition and (II) which:

(i) changes the basis of taxation of any amounts payable to such Lender under this Agreement or the Note (other than Excluded Taxes); or

(ii) imposes or modifies any reserve, special deposit or similar requirements (other than the Reserve Requirement utilized in the determination of the LIBO Rate) relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Lender (including, without limitation, any such deposits referred to in the definition of "LIBO Rate"), or any commitment of such Lender (including, without limitation, the commitment of such Lender hereunder); or

(iii) imposes any other condition affecting this Agreement or the Supplemental Loan Note (or any of such extensions of credit or liabilities referred to in subdivision (ii) above).

Notwithstanding anything to the contrary contained in this Section 2.2.4, Additional Costs may be imposed on Borrower by Agent on behalf of each Lender only if such Additional Costs are generally being imposed by such Lender on similarly situated borrowers (as reasonably determined by such Lender).

(b) Without limiting the effect of the provisions of clause (a) of this Section 2.2.4 (but without duplication), in the event that, by reason of any Regulatory Change which affects similarly situated banks or financial institutions generally and is not applicable to a Lender primarily by reason of such Lender's particular conduct or condition, any Lender incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of such Lender that includes deposits by reference to which the LIBO Rate is determined as provided in this Agreement or a category of extensions of credit or other assets of such Lender that includes the portion of the Supplemental Loan evidenced by such Lender's Note, then, if such Lender so elects by notice to Agent and Borrower, the obligation of such Lender to make or continue such portion of the Supplemental Loan based on the LIBO Adjusted Rate hereunder shall be suspended effective on the last day of the then current Interest Period, until such Regulatory Change ceases to be in effect and the portion of the Supplemental Loan evidenced by such Lender's Supplemental Loan Note shall, during such suspension, bear interest at the Base Rate plus the Base Rate Margin.

(c) Without limiting the effect of the foregoing provisions of this Section 2.2.4 (but without duplication), Borrower shall pay to each Lender from time to time on request such amounts as such Lender may reasonably determine to be necessary to compensate such Lender (or, without duplication, the bank holding company of which such Lender is a subsidiary) for any costs that it reasonably determines are attributable to the maintenance by such Lender (or any Applicable Lending Office or such bank holding company of such Lender),

pursuant to any law or regulation or any interpretation, directive or request (whether or not having the force of law) of any Governmental Authority (i) following any Regulatory Change or (ii) implementing any risk-based capital guideline or other requirement (whether or not having the force of law) applying to a class of banks including such Lender, hereafter issued by any government or governmental or supervisory authority implementing at the national level the Basle Accord (including, without limitation, the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 C.F.R. Part 208, Appendix A; 12 C.F.R. Part 225, Appendix A) and the Final Risk-Based Capital Guidelines of the office of the Comptroller of the Currency (12 C.F.R. Part 3, Appendix A)), of capital in respect of the commitment to lend or the Ratable Share of the Supplemental Loan of such Lender (such compensation to include, without limitation, an amount equal to the reduction of the rate of return on capital of such Lender (or any Applicable Lending Office or such bank holding company of such Lender) to a level below that which such Lender (or any Applicable Lending Office or such bank holding company of such Lender) would have achieved but for such increase in capital due to such law, regulation, interpretation, directive or request), after taking into consideration such Lender's policies and practices and the policies and practices of such Lender's holding company with respect to capital adequacy. For purposes of this Section 2.2.4(c), "BASLE ACCORD" shall mean the proposals for risk-based capital framework described by the Basle Committee on Banking Regulations and Supervisory Practices in its paper entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988, as amended, modified and supplemented and in effect from time to time or any replacement thereof.

(d) Each Lender shall notify Agent and Borrower of any event occurring after the date of this Agreement entitling Lender to compensation under clause (a) or (c) of this Section 2.2.4 as promptly as practicable, and shall designate a different Applicable 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 such Lender, be materially disadvantageous to such Lender. Such Lender shall furnish to Borrower a certificate setting forth the basis and amount of each request by such Lender for compensation under clause (a) or (c) of this Section 2.2.4. Determinations and allocations by each Lender for purposes of this Section 2.2.4 of the effect of any Regulatory Change pursuant to subsection (a) or (b) of this Section 2.2.4, or of the effect of capital maintained pursuant to subsection (c) of this Section 2.2.4, on its costs or rate of return of maintaining its Ratable Share of the Supplemental Loan or its obligation to make such Supplemental Loan, or on amounts receivable by it in respect of the Supplemental Loan, and of the amounts required to compensate each Lender under this Section 2.2.4, shall constitute prima facie evidence thereof. Each Lender shall confirm to Borrower at the time it makes any claim under this Section 2.2.4 that the methods of determination and allocation used by it in determining the amount of such claim are reasonably consistent with such Lender's treatment of customers similar to Borrower (as reasonably determined by such Lender). In the event any Lender makes a request for compensation under subsection (a) or (c) of this Section 2.2.4, Borrower shall, upon payment of the amount of compensation so requested, have the right to prepay the Loan in full, without penalty or premium but subject to payment of all amounts due and payable pursuant to Section 2.2.7, on the last day of any then current Interest Period with respect to which such compensation has been requested. Borrower shall not be required to compensate a Lender pursuant to this Section 2.2.4 for any additional costs incurred more than 90 days prior to the date that such Lender knew of the

changes giving rise to such increased costs and of such Lender's intention to claim compensation therefor under this Section.

2.2.5 LIBO RATE. Anything herein to the contrary notwithstanding, if, on or prior to the determination of any LIBO Adjusted Rate for any Interest Period,

(a) any Lender reasonably determines that quotations of interest rates for the relevant deposits referred to in the definition of "LIBO Rate" are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for any LIBOR Loan as provided herein; or

(b) any Lender reasonably determines that by reason of circumstances affecting the London interbank market the relevant rates of interest referred to in the definition of "LIBO Rate" upon the basis of which the rate of interest for the LIBOR Loan for such Interest Period is to be determined are not likely adequately to cover the cost to such Lender of making or maintaining a LIBOR Loan for such Interest Period;

then such Lender shall give Borrower and Agent prompt notice thereof and, so long as such condition remains in effect, such Lender shall be under no obligation to make its Ratable Share of any such LIBOR Loan but shall remain obligated to make its Ratable Share of a Base Rate Loan for a corresponding amount, or if any portion of the Loan is already outstanding as a LIBOR Loan, such portion shall, commencing immediately after the end of the then current Interest Period, bear interest at the Base Rate plus the Base Rate Margin. Each such Lender shall promptly notify Borrower and Agent upon the cessation of any facts and circumstances which resulted in suspension under this Section 2.2.5, whereupon Borrower's right to cause the Supplemental Loan or any portion thereof to be a LIBOR Loan shall be reinstated.

2.2.6 ILLEGALITY. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Lender or its Applicable Lending Office to honor its obligation to make or maintain its Ratable Share of the Supplemental Loan, then such Lender shall promptly notify Borrower and Agent thereof and such Lender's obligation to make its Ratable Share of the Supplemental Loan shall be suspended (provided that, if requested by Borrower, such Lender's Ratable Share of the Supplemental Loan shall automatically be converted to a Base Rate Loan if doing so would enable such Lender to lawfully honor its obligation to make or maintain its Ratable Share of the Supplemental Loan) until such time as such Lender may again make its Ratable Share of the Supplemental Loan and Borrower shall, if required by applicable law, upon the request of such Lender, prepay a portion of the Supplemental Loan equal to the Ratable Share of such Lender together with accrued interest thereon, but without compensation to such Lender pursuant to Section 2.2.7. Notwithstanding the foregoing, such Lender shall, as promptly as practicable, designate a different Applicable Lending Office for the Loan if doing so would enable it to lawfully honor its obligation to make or maintain its Ratable Share of the Loan.

2.2.7 BREAKAGE COSTS. (a) Borrower agrees to compensate each Lender for any loss, cost or expense incurred by it as a result of (a) a default by Borrower in making a borrowing of, conversion into or continuation of a LIBOR Loan after such Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) a default by

Borrower in making any prepayment of a LIBOR Loan after such Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making of a prepayment (mandatory or optional) of a LIBOR Loan for any reason (including, without limitation, the acceleration of the maturity of the Loan pursuant to Section 9.1, the payment of Contingent Amortization pursuant to Section 4.1.11 of the Building Loan Agreement or a prepayment of the Loan in connection with a release of a Residential Unit pursuant to Section 4.1.37 of the Building Loan Agreement), other than a prepayment of the Loan pursuant to Section 2.2.6, on a day that is not the last day of an Interest Period with respect thereto.

(b) Each such Lender will furnish to Borrower a certificate setting forth the basis and amount of each request by Lender for compensation under this Section 2.2.7, which certificate shall provide reasonable detail as to the calculation of such loss, cost or expense. Such certificate shall constitute prima facie evidence of the amount of such loss, cost or expense, which shall be calculated by such Lender on a reasonable and customary basis, consistent with the basis on which such calculations are then being made by similarly situated banks or financial institutions generally.

2.2.8 WITHHOLDING TAXES. Borrower agrees to pay to each Lender such additional amounts as are necessary in order that the net payment of any amount due hereunder or under any of the other Supplemental Loan Documents to such Lender, after deduction for or withholding of any present or future tax imposed by the United States (subject, in either case, to the provisions of this Section 2.2.8), excluding Excluded Taxes of such Lender, will be the amount that would be required to be paid hereunder or thereunder in the absence of such deduction or withholding. Each Lender shall provide Borrower with a form prescribed by the United States Internal Revenue Service (currently, Form W-8ECI or Form W-8BEN) certifying such Lender's exemption from United States withholding taxes with respect to all payments to be made to such Lender under this Agreement and any other Supplemental Loan Document at the date of such certificate, and if any Lender fails to provide Borrower with the prescribed form referred to in the preceding sentence, indicating that such payments are not subject to United States withholding tax or are subject to such tax at a rate reduced to zero by an applicable tax treaty, Borrower may withhold taxes from payments to or for the account of such Lender at the applicable statutory rate and shall not be obligated to pay any additional amounts described in the first sentence of this Section in respect of the Supplemental Loan; provided, that this sentence shall be inapplicable to such Lender in the event that such Lender is not able to make the certification set forth in such prescribed form as a result of a change in United States federal income tax law, regulation or judicial or administrative interpretation occurring after the date hereof, or of an amendment, modification or revocation of an applicable tax treaty or a change in official position regarding the application or interpretation thereof, in each case, occurring after the date hereof. In the event that Borrower is obligated to pay any additional amounts described in the first sentence of this section in respect of the Supplemental Loan, Lender shall make commercially reasonable efforts to change the jurisdiction of its Applicable Lending Office if, in the reasonable judgment of such Lender, doing so would eliminate or reduce Borrower's obligation to pay such additional amounts and would not be disadvantageous to such Lender.

SECTION 2.3 USURY SAVINGS.

2.3.1 USURY SAVINGS. This Agreement and the other Supplemental Loan Documents are subject to the express condition that at no time shall Borrower be required to pay interest on the principal balance of the Supplemental Loan at a rate which could subject Lenders 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 Supplemental Loan Documents, Borrower is at any time required or obligated to pay interest on the principal balance due hereunder at a rate in excess of the Maximum Legal Rate, 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 and not on account of the interest due hereunder. All sums paid or agreed to be paid to Agent or Lenders for the use, forbearance, or detention of the sums due under the Supplemental Loan, shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Supplemental Loan until payment in full so that the rate or amount of interest on account of the Supplemental Loan does not exceed the Maximum Legal Rate from time to time in effect and applicable to the Supplemental Loan for so long as the Supplemental Loan is outstanding.

SECTION 2.4 LOAN PAYMENTS.

2.4.1 PAYMENT BEFORE MATURITY DATE. Borrower shall make a payment to Agent of interest only at the Interest Rate on each Payment Date during the term of the Supplemental Loan; each payment to be calculated in the manner set forth in Section 2.2.1. In addition, if the term of the Loan is extended in accordance with the provisions hereof, then upon the occurrence of any Contingent Amortization Trigger Event, Borrower shall make payments of Contingent Amortization as required pursuant to Section 4.1.11 of the Building Loan Agreement.

2.4.2 PAYMENT ON MATURITY DATE. Borrower shall pay to Agent the outstanding principal balance of the Supplemental Loan, all accrued and unpaid interest and all other amounts due hereunder and under the Supplemental Loan Note, the Supplemental Loan Mortgage and the other Supplemental Loan Documents on the Maturity Date.

2.4.3 LATE PAYMENT PREMIUM. If any principal, interest or any other sum due under the Supplemental Loan Documents is not paid by Borrower within five (5) days of the date on which it is due (other than the principal payment due on the Maturity Date), Borrower shall pay to Agent upon demand an amount equal to the lesser of five percent (5%) of such unpaid sum or the maximum amount permitted by applicable law in order to defray the expense incurred by Agent in handling and processing such delinquent payment and to compensate Lenders for the loss of the use of such delinquent payment. Any such amount shall be secured by the Supplemental Loan Mortgage and the other Supplemental Loan Documents.

2.4.4 INTEREST RATE AND PAYMENT AFTER DEFAULT. In the event that, and for so long as, any Event of Default shall have occurred and be continuing, the outstanding principal balance of the Supplemental Loan shall accrue interest at the Default Rate, calculated from the date that such Event of Default occurred, except that for a payment default, the Default Rate shall accrue from the original due date of such payment.

2.4.5 METHOD AND PLACE OF PAYMENT. (a) Except as otherwise specifically provided herein, all payments and prepayments under this Agreement and the Supplemental Loan Note shall be made to Agent not later than 1:00 p.m., New York City time, on the date when due and shall be made in lawful money of the United States of America in immediately available funds at Agent's office, and any funds received by Agent after such time shall, for all purposes hereof, be deemed to have been paid on the next succeeding Business Day.

(b) Whenever any payment to be made hereunder or under any other Supplemental Loan Document shall be stated to be due on a day which is not a Business Day, the due date thereof shall be the next preceding Business Day.

SECTION 2.5 PREPAYMENT.

2.5.1 VOLUNTARY PREPAYMENTS. (a) Borrower may prepay the Supplemental Loan, in whole or in part, without premium or penalty, provided that Borrower gives to Agent not less than five (5) Business Days prior notice, which notice shall be irrevocable and shall specify: (i) the date and amount of the prepayment; (ii) whether the prepayment is of LIBOR Loans, Base Rate Loan or a combination thereof, and, if a combination thereof, the amount allocable to each; and (iii) in the case of prepayment of LIBOR Loans the expiration date of the applicable LIBOR Loan. Prepayment of all or any portion of the Loan may be made in accordance with this paragraph provided that: (i) the principal amount prepaid is not less than \$1,000,000.00 and is in increments of \$100,000.00 except for prepayments being made in connection with the sale of a Residential Unit in accordance with Section 4.1.37(i) of the Building Loan Agreement; (ii) all accrued and unpaid interest to and including the date of such prepayment on the amount being prepaid is then paid; (iii) any amounts payable pursuant to Sections 2.2.7 and 2.4.3 are then paid; (iv) any sums payable by Borrower to the Counterparty in connection with the early termination or partial termination of the Interest Rate Protection Agreement are then paid; and (v) all fees and expenses incurred by Agent in connection with the Loan and/or with the prepayment are then paid to the extent payable to Agent in accordance with the terms hereof.

(b) In each instance of prepayment permitted under this Section 2.5.1, Borrower shall be required to pay all other sums due and payable hereunder (including under Section 2.2.7), and no principal amount repaid may be reborrowed.

(c) Notwithstanding Section 2.5.1(a) but subject to Section 2.5.1(b), proceeds from the sale of Residential Units shall be applied in reduction of the principal amount of the Loan in accordance with Section 4.1.37(i) of the Building Loan Agreement.

(d) Except as otherwise expressly permitted herein, the principal balance of the Supplemental Loan may not be prepaid in whole or in part.

2.5.2 MANDATORY PREPAYMENTS. (a) On each date on which Agent actually receives a distribution of Net Proceeds and if Agent is not required to make such Net Proceeds available to Borrower for the Restoration of the Property pursuant to Section 5.3 of the Building Loan Agreement, Agent may, in its sole and absolute discretion, elect to either make the Net Proceeds available for Restoration pursuant to Section 5.3 of the Building Loan Agreement or

use the Net Proceeds to prepay the outstanding principal balance of the Building Loan Note, the Supplemental Loan Note and/or the Project Loan Note, as determined by Agent, in an amount equal to one hundred percent (100%) of such Net Proceeds, with any excess payable to Borrower.

(b) In addition, if the term of the Loan is extended, upon the occurrence of any Contingent Amortization Trigger Event, Borrower shall prepay without premium or penalty the amount of Contingent Amortization as required pursuant to Section 4.1.11 of the Building Loan Agreement.

(c) In each instance of prepayment under this Section 2.5.2, Borrower shall be required to pay all other sums due hereunder (including under Section 2.2.7), and no principal amount repaid may be reborrowed.

2.5.3 MISCELLANEOUS. The making of an Advance by Agent and/or Lenders shall not constitute Agent's and/or Lenders' approval or acceptance of the construction theretofore completed. Agent's inspection and approval of the Plans and Specifications, the construction of the Improvements, or the workmanship and materials used therein, shall impose no liability of any kind on Agent or Lenders, the sole obligation of Agent and Lenders as the result of such inspection and approval being to make the Advances if and to the extent, required by this Agreement.

SECTION 2.6 PAYMENTS NOT CONDITIONAL.

2.6.1 PAYMENTS NOT CONDITIONAL. All payments required to be made by Borrower hereunder or under the Supplemental Loan Note or the other Supplemental Loan Documents shall be made irrespective of, and without deduction for, any setoff, claim or counterclaim and shall be made irrespective of any defense thereto.

SECTION 2.7 CONDITIONS PRECEDENT.

2.7.1 CONDITIONS PRECEDENT. Agent shall not be obligated to make any disbursement of the Supplemental Loan unless Agent is reasonably satisfied that the conditions precedent to the making of such disbursement, as set forth in this Agreement, have been satisfied by Borrower.

SECTION 2.8 INTENTIONALLY OMITTED.

SECTION 2.9 CONDITIONS PRECEDENT TO DISBURSEMENT OF SUPPLEMENTAL LOAN PROCEEDS.

2.9.1 CONDITIONS OF ADVANCES. Agent and Lenders shall not be obligated to make an Advance of the Supplemental Loan unless and until all of the conditions precedent set forth in this Section 2.9.1 with respect to each such Advance shall have been satisfied:

(a) Payment of Fees and Delivery of Loan Fee Letter. Payment by Borrower of all fees and expenses required by this Agreement, to the extent due and payable, including, without limitation, Agent's reasonable attorneys' fees and expenses in connection with such

Advance, all origination fees, and brokerage commissions and delivery to Agent of an original counterpart of the Loan Fee Letter, duly executed by Borrower.

(b) Assignment of Spread Mortgage Documents.

(i) With respect to the Spread Mortgage being acquired by Agent with the proceeds of such Advance, Agent shall have received the originals of such Spread Mortgage and the Spread Mortgage Note and the same shall be reasonably satisfactory to Agent;

(ii) Agent shall have received a duly executed assignment of the Spread Mortgage assigning the same to Agent for the ratable benefit of Lenders, in proper form for recording and otherwise in form and substance reasonably satisfactory to Agent, together with a duly executed Section 275 Affidavit with respect thereto in form and substance reasonably satisfactory to Agent; and

(iii) Agent shall have received a duly executed allonge to the Spread Mortgage Note secured by such Spread Mortgage Note endorsing such Spread Mortgage Note to the order of Agent (for the ratable benefit of Lenders) in form and substance reasonably satisfactory to Agent.

(c) Supplemental Loan Documents.

(i) Borrower shall have executed and delivered the Supplemental Loan Note amending and restating the Spread Mortgage Note being assigned in connection with such Advance which shall be substantially in the form of the Building Loan Note with such changes as shall be reasonably required by Agent to reflect that the Supplemental Loan Note evidences the Supplemental Loan rather than the Building Loan;

(ii) Borrower shall have executed and delivered the Supplemental Loan Mortgage amending and restating the Spread Mortgage being assigned in connection with such Advance which shall be substantially in the form of the Building Loan Mortgage with such reasonable changes as may be required by Agent or the Title Company to reflect that the Supplemental Loan Mortgage secures the Supplemental Loan rather than the Building Loan, together with a duly executed Section 255 Affidavit (in duplicate) with respect thereto in form and substance reasonably satisfactory to Agent;

(iii) Borrower shall have executed and delivered the Supplemental Loan Assignment of Leases for the amount of the Spread Mortgage being assigned in connection with such Advance, which shall be substantially in the form of the Building Loan Assignment of Leases with such reasonable changes as may be required by Agent or the Title Company to reflect that the Supplemental Loan Assignment of Lease secures the Supplemental Loan rather than the Building Loan, together with a duly executed Section 255 Affidavit (in duplicate) with respect thereto in form and substance reasonably satisfactory to Agent;

(iv) UCC-1 Financing Statements for the Supplemental Loan for filing in New York County and with the Delaware Secretary of State naming each Borrower as debtor

in favor of Agent (for the ratable benefit of Lenders) as secured party, which shall be substantially in the form of the UCC-1 Financing Statements delivered by Borrower in connection with the Initial Advance of the Building Loan with such reasonable changes as may be required by Agent;

(v) Unless Borrower shall have previously executed and delivered the Cash Collateral Agreement pursuant to the Project Loan Agreement, Borrower shall have executed and delivered to Agent the Cash Collateral Agreement; and

(vi) Such other documents and certificates as Agent may reasonably require.

(d) Borrower's Requisition. Borrower shall have submitted a Draw Request for such Advance and for a disbursement of Supplemental Cash Collateral under (and as defined in) the Cash Collateral Agreement and the amount of such requested Advance shall not exceed the amount of such requested disbursement and any Funds then being held in the Supplemental Cash Collateral Account under the Cash Collateral Agreement by more than \$10,000,000; and all of the conditions precedent to Agent's making such disbursement under the Collateral Account shall have been satisfied (assuming for such purposes only that the requested Advance is being made).

(e) Draw Request. Borrower shall submit a Draw Request in accordance with Section 2.10.1 of this Agreement.

(f) Title Insurance Policy. With respect to the initial Advance of Supplemental Loan proceeds, Borrower shall cause to be delivered to Agent a paid Title Insurance Policy or report in all respects reasonably satisfactory to Agent and its counsel, including a datedown endorsement to the Title Insurance Policy in the form attached to the Building Loan Agreement as SCHEDULE XXI, dated the date of such requested Advance and showing the Supplemental Loan Mortgage as a prior and paramount lien on the Property, subject only to (i) the Permitted Encumbrances and the lien of any other Supplemental Loan Documents, (ii) the lien of the Building Loan Mortgage, (iii) the lien of the Project Loan Mortgage, which shall be shown on Schedule B-II of the Title Insurance Policy as being subordinate to the Supplemental Loan Mortgage and (iii) any other liens or encumbrances consented to in writing by Agent, along with co-insurance or reinsurance in such forms and amounts as may be required by Agent. The reinsurance agreements shall provide for direct access with the other Title Companies satisfactory to Agent. With respect to each subsequent Advance of Supplemental Loan proceeds, Agent shall have been furnished with an endorsement to the Title Insurance Policy issued to Agent and Lenders in connection with the initial Advance of the Loan, which continuation or endorsement shall state that since the last disbursement of the Loan there have been no changes in the state of title to the Property (other than Permitted Encumbrances) and that there are no additional survey exceptions not previously approved by Agent, shall datedown the effective date of such Policy and shall insure the Supplemental Loan Mortgage as the same has been consolidated with the Spread Mortgage being assigned in connection with such Advance for a consolidated amount of the requested Advance and all previous Advances of the Supplemental Loan.

(g) Evidence of Sufficiency of Funds. Evidence reasonably satisfactory to Agent that the undisbursed proceeds of the Supplemental Loan and the Project Loan together with any Funds then being held by Agent in the Collateral Account will be sufficient to cover all Supplemental Loan Costs and all Project Loan Costs reasonably anticipated to be incurred, to satisfy the obligations of Borrower to Agent and under this Agreement.

(h) Legal Opinions. Agent shall have received opinions in form and substance satisfactory to Agent and Agent's counsel from counsel satisfactory to Agent as to such matters, as Agent shall reasonably request in form, substance and scope satisfactory to Agent.

(i) Judgment and Lien Searches. Agent shall have received a certification from the Title Company or other service satisfactory to Agent and Agent's counsel or from counsel satisfactory to Agent (which shall be updated from time to time at Borrower's expense upon request by Agent in connection with future Advances) that a search of the public records disclosed no judgment or tax liens affecting Borrower, Commercial Holding, Residential Holding, Alexander's or the Property, conditional sales contracts, chattel mortgages, leases of personalty, financing statements or title retention agreements which affect the Property.

(j) Administrative Fee. Borrower shall pay the monthly payment of the Administrative Fee to Agent in accordance with the Loan Fee Letter.

(k) Performance; No Default. Borrower shall have performed and complied with all terms and conditions herein required to be performed or complied with by it at or prior to the date of the requested Advance, and on the date of the such Advance, there shall exist no material Default and no Event of Default.

(l) Representations and Warranties. The representations and warranties made by Borrower and Guarantor in the Loan Documents shall have been true and correct in all respects on the date on which made and shall be true and correct in all respects on the date of such Advance.

(m) Intentionally Omitted.

(n) Proceedings and Documents. Agent shall have received all information and such counterpart originals or certified copies of such documents and such other certificates, opinions or documents as Agent and Agent's counsel may reasonably require.

(o) Security Documents. The Supplemental Loan Mortgage shall constitute a valid second priority lien on the Property for the full amount of the Loan advanced to and including the date of the Advance, free and clear of all liens except for Permitted Encumbrances.

(p) Special Capped Loan Amount. No Advances shall be made if and to the extent that any requested Advance of the Supplemental Loan when added to the sum of all prior Advances of the Building Loan, the Supplemental Loan and the Project Loan exceed the Special Capped Loan Amount until the Existing Policy shall have been replaced in accordance with Section 5.1.3(b) of the Building Loan Agreement.

(q) No Damage. The Improvements shall not have been injured or damaged by fire, explosion, accident, flood or other casualty, unless Agent shall have received insurance proceeds or Borrower is otherwise entitled to the applicable Advance of the Supplemental Loan (including, without limitation, Borrower's obligation to keep the Loan in balance under Section 2.1.11 of the Building Loan Agreement and the corresponding provisions of the Cash Collateral Agreement regarding disbursements of Cash Collateral) to effect the satisfactory restoration of the Improvements and to permit the construction of the Improvements to the stage required under the Bloomberg Lease on or prior to the relevant milestone date for such required stage of completion under the Bloomberg Lease and in any event to permit the Completion of the Base Building Work prior to the Initial Maturity Date.

(r) Inclusionary Housing Cap. Notwithstanding anything to the contrary contained in this Agreement or in any other Loan Document, if Certificates of Eligibility for Zoning Bonus for not less than the total Bonus Area shall not have all been issued and the originals of the same delivered to Agent together with an assignment of each such Certificate executed in blank and undated in form reasonably satisfactory to Agent by such time as Borrower begins to pour the concrete for the Residential Component, Agent and Lenders shall have no obligation to advance any undisbursed proceeds of the Loan until such time as such Certificates of Eligibility for Zoning Bonus for not less than the total Bonus Area shall have all been issued and the originals of the same delivered to Agent together with an assignment of each such Certificate executed in blank and undated in form reasonably satisfactory to Agent.

(s) Subsequent Building Loan Advances. In no event shall any Advance of the Supplemental Loan be made prior to the funding of the first advance of Building Loan proceeds under the Building Loan Agreement subsequent to the Initial Advance under (and as defined in) the Building Loan Agreement.

2.9.2 INTENTIONALLY OMITTED.

2.9.3 INTENTIONALLY OMITTED.

2.9.4 NO RELIANCE. All conditions and requirements of this Agreement are for the sole benefit of Agent and Lenders and no other person or party (including, without limitation, the Construction Consultant, the Construction Manager, and any Trade Contractors) shall have the right to rely on the satisfaction of such conditions and requirements by Borrower. Agent shall have the right, in its sole and absolute discretion, to waive any such condition or requirement.

SECTION 2.10 BORROWING PROCEDURES.

2.10.1 DRAW REQUESTS. Borrower shall submit to Agent and the Construction Consultant a Draw Request (substantially in the forms attached hereto as SCHEDULES II through IX) ("BORROWER'S REQUISITION") not less than eight (8) Business Days prior to the date upon which a disbursement of the Loan is requested (the "BORROWING DATE") and no more frequently than once in each calendar month (except as otherwise expressly provided in Section 2.10.2). As part of each Draw Request, Borrower shall submit, as notice of its intention to borrow funds and as notice of its intention to obtain a disbursement of Cash Collateral under the

Cash Collateral Agreement, a Borrower's Requisition Letter in the form set forth in SCHEDULE II to the Building Loan Agreement, which shall be executed by one of the Authorized Representatives. Each Borrower's Requisition Letter shall be accompanied by: (i) a Borrower's Requisition Spreadsheet in the form attached to the Building Loan Agreement as SCHEDULE IV; (ii) a completed Application and Certificate for Payment (AIA Document G702) attached to the Building Loan Agreement as SCHEDULE VI that is executed by the Construction Manager and Architect(1); (iii) a Borrowing Certificate in the form attached to the Building Loan Agreement as SCHEDULE VIII; (iv) Payment Receipts in the form attached to the Building Loan Agreement as SCHEDULE IX from the Construction Manager and Trade Contractors, evidencing that they have been paid in full for all work performed and/or materials supplied to the date of the preceding advance, except for Retainage provided for in the Building Loan Agreement; (v) at the request of Agent, current requisitions for payment from Trade Contractors and/or any of their subcontractors allocable to the Improvements; (vi) such other information and documents as may be reasonably requested or required by Agent or the Construction Consultant with respect to the Hard Costs covered by such Draw Request; and (vii) invoices, statements or such other information and documentation as Agent shall reasonably request or require with respect to any Soft Costs covered by such Draw Request. All such requests and requisitions for payment shall have been approved by Borrower and, with respect to Hard Costs, recommended for payment by the Construction Consultant.

2.10.2 ONE ADVANCE PER MONTH. Agent and Lenders shall have no obligation to make Advances of the Loan more often than once in each calendar month.

2.10.3 INTENTIONALLY OMITTED.

2.10.4 PROCEDURE OF ADVANCES. (a) Each Draw Request shall be submitted to Agent and the Construction Consultant at least eight (8) Business Days prior to the Borrowing Date for the requested Advance, and no more frequently than monthly except as otherwise provided in Section 2.10.2. Not less than three (3) London Business Days prior to the Borrowing Date, Agent shall deliver written notice to each Lender at the address specified by each Lender from time to time which notice shall include the Borrowing Date and such Lender's Ratable Share of such Advance. Agent shall include with such notice a copy of the Draw Request, to the extent not previously delivered and to the extent in Agent's possession, and Agent shall promptly deliver to each Lender all items in respect of such Advance received by Agent after the date of such notice. Lenders shall make the requested Advance on the Borrowing Date so long as all conditions to such Advance are satisfied or waived. Unless otherwise notified by Agent, each Lender may assume that all conditions to such Advance are satisfied or waived on the Borrowing Date.

(b) Not later than 11:00 a.m. New York City time, on the Borrowing Date, each Lender shall make available for the account of Agent at its address referred to in Section 10.6, in same day funds, such Lender's ratable portion of such Advance. After Agent's receipt of such funds and upon fulfillment of the applicable conditions in Article II, Agent will make such funds available to Borrower in accordance with the terms of this Section 2.10.

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(1) In cases where the Architect will not sign the AIA Document G702 Form, HVB requires the Architect to provide an Architect's Certificate in the form set forth in SCHEDULE VII.

(c) Unless Agent shall have received notice from a Lender prior to the Borrowing Date that such Lender will not make available to Agent such Lender's ratable portion of such Advance, Agent may assume that such Lender has made such portion available to Agent on the Borrowing Date in accordance with Section 2.10.4(b), and Agent may, in reliance upon such assumption, make available to Borrower on the Borrowing Date a corresponding amount. If and to the extent that any of Lenders (the "DEFAULTING LENDER") shall not have so made such ratable portion available to Agent (individually, a "DEFICIENCY," and collectively, "DEFICIENCIES"), and Agent has advanced such amount to Borrower, such Defaulting Lender agrees to repay to Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to Borrower until the date such amount is repaid to Agent at the Default Rate. If such Defaulting Lender shall repay to Agent such corresponding amount, such amount (excluding interest) so repaid shall constitute such Defaulting Lender's ratable portion of the Advance. Each of the Lenders agrees that Borrower or any of the other Lenders shall have the right to proceed directly against any Defaulting Lender in respect of any right or claim arising out of the default of such Defaulting Lender hereunder. If there shall be a Deficiency in respect of any Lender, the other Lenders, or any of them, shall have the right, but not the obligation, to advance all or any part of the ratable portion of an Advance that should have been made by the Defaulting Lender, and the Defaulting Lender agrees to repay upon demand to each of the Lenders who has advanced a portion of the Deficiency the amount advanced on behalf of the Defaulting Lender, together with interest thereon at the Default Rate. If more than one Lender elects to advance a portion of the Deficiency such Lenders' advances shall be made based on the relative Ratable Shares of the Loan of each advancing Lender or as otherwise agreed to by such Lenders. In the event the Defaulting Lender fails to advance or repay the Deficiency (with interest at the Default Rate, if applicable) on or prior to the date of the next succeeding Advance, the entire interest of said Defaulting Lender in the Loan shall be subordinate to the interests of the other Lenders and all payments otherwise payable to the Defaulting Lender shall be used to advance or repay the Deficiency, as applicable, until such time such Defaulting Lender advances or repays all Deficiencies (including interest at the Default Rate, if applicable) and Borrower or Agent shall have the right to require such Defaulting Lender to assign its interest in the Loan to an Eligible Institution or other assignee satisfactory to Agent in its sole discretion (subject, nevertheless, to Section 10.24).

(d) The failure of any Lender to pay any Deficiency shall not relieve any other Lender of its obligation, if any, hereunder to make its ratable portion of the Advance on the Borrowing Date, but no Lender shall be responsible for the failure of any Lender to make its ratable portion of the Advance to be made by such other Lender on the Borrowing Date; provided, however, that Lenders shall be obligated to fund the balance or the then current Advance (i.e., excluding the Deficiency) in the manner required hereunder. In the event the following occurs, Lenders, in the sole discretion of Agent, shall have the right to make no further Advances under the Loan: any and all Deficiencies in respect of prior Advances made more than thirty (30) days prior to the current Advance have not been funded by (A) the Defaulting Lender(s) responsible therefor or (B) one or more of the other Lenders or (C) Borrower with its own equity. In such event, the Supplemental Loan Amount shall be permanently reduced by any and all Deficiencies unless and until funded as provided in clauses (A) or (B) above or a substitute lender, reasonably acceptable to Lenders other than the Defaulting Lender(s), pays such Deficiency(ies). If pursuant to this Section, Lenders are not obligated to make an Advance,

Agent may (subject to subsection (e) below) nonetheless make a determination that Lenders shall make such Advances and all Lenders shall be bound by such determination.

(e) Notwithstanding the foregoing, any decision by Agent to make Advances hereunder when Borrower is not entitled to receive such an Advance because an Event of Default has occurred and is continuing and any decision by Agent to refuse to make any Advance hereunder because an Event of Default has occurred and is continuing shall be a Major Decision requiring the consent of all Lenders.

2.10.5 FUNDS ADVANCED. Each Advance shall be made by Agent by wire transfer to Borrower's Designated Account or as provided in Section 2.10.6. All proceeds of all Advances shall be used by Borrower only for the purposes for which such Advances were made. Borrower shall not commingle such funds with other funds of Borrower.

2.10.6 DIRECT ADVANCES TO THIRD PARTIES. At Agent's option, Agent may direct Lenders to make any or all Advances directly or through the Title Company to the holder of the Spread Mortgage being assigned in connection with such Advance.

2.10.7 INTENTIONALLY OMITTED.

2.10.8 ADVANCES DO NOT CONSTITUTE A WAIVER. No Advance shall constitute a waiver of any of the conditions of Lenders' obligation to make further Advances nor, in the event Borrower is unable to satisfy any such condition, shall any Advance have the effect of precluding Agent from thereafter declaring such inability to be an Event of Default hereunder.

2.10.9 INTENTIONALLY OMITTED.

2.10.10 INTENTIONALLY OMITTED.

2.10.11 ADVANCES AND DISBURSEMENTS UNDER COMPLETION GUARANTY. Notwithstanding anything to the contrary contained in this Agreement or in any other Loan Document, Borrower hereby irrevocably and unconditionally authorizes Agent and Lenders to make any disbursements of proceeds of the Loan or of any Funds held by Agent to Vornado in accordance with the Guaranty of Completion.

III. REPRESENTATIONS AND WARRANTIES

SECTION 3.1 BORROWER REPRESENTATIONS.

Borrower represents and warrants that:

3.1.1 ORGANIZATION. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.2 PROCEEDINGS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.3 NO CONFLICTS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.4 LITIGATION. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.5 GOVERNMENTAL ORDERS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.6 CONSENTS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.7 TITLE. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein, provided that all references in such incorporated provision to "Building Loan" are hereby replaced solely for the purposes of incorporating such representation and warranty herein with the words "Supplemental Loan".

3.1.8 NO PLAN ASSETS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.9 COMPLIANCE. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.10 FINANCIAL AND OTHER INFORMATION. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement is incorporated herein by reference as if fully set forth herein.

3.1.11 CONDEMNATION. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.12 UTILITIES AND PUBLIC ACCESS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement is incorporated herein by reference as if fully set forth herein.

3.1.13 SEPARATE LOTS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.14 ASSESSMENTS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement is incorporated herein by reference as if fully set forth herein.

3.1.15 ENFORCEABILITY. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein, provided that all references in such incorporated provision to "Building Loan" are hereby replaced solely for the purposes of incorporating such representation and warranty herein with the words "Supplemental Loan".

3.1.16 ASSIGNMENT OF LEASES. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.17 INSURANCE. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein, provided that all references in such incorporated provision to "this Agreement" shall be deemed to continue to refer to the "Building Loan Agreement" for the purposes of incorporating such representation and warranty herein.

3.1.18 LICENSES. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.19 FLOOD ZONE. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.20 PHYSICAL CONDITION. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.21 BOUNDARIES. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.22 LEASES. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.23 FILING AND RECORDING TAXES. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein, provided that all references in such incorporated provision to "Building Loan" are hereby replaced solely for the purposes of incorporating such representation and warranty herein with the words "Supplemental Loan".

3.1.24 SINGLE PURPOSE. The representations and warranties and covenants set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.25 TAX FILINGS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.26 SOLVENCY. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein..

3.1.27 FEDERAL RESERVE REGULATIONS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.28 MEZZANINE DEBT. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.29 OFFICES; LOCATION OF BOOKS AND RECORDS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.30 INTENTIONALLY OMITTED.

3.1.31 CONSTRUCTION MANAGEMENT AGREEMENTS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.32 ACCESS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.33 NO DEFAULT. No material Default and no Event of Default exists.

3.1.34 ARCHITECT'S CONTRACT. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.35 PLANS AND SPECIFICATIONS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.36 ZONING. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.37 BUDGET. The Building Loan Budget (as adjusted from time to time in accordance with the terms of the Building Loan Agreement) accurately reflects all Building Loan Costs (including all Supplemental Loan Costs). Upon the making of the disbursement from the Collateral Account of the Cash Collateral Funds in an amount equal to the amount of the Advance requested in Borrower's Requisition in the manner set forth therein, all materials and labor theretofore supplied or performed in connection with the Property will have been paid for in full (subject to the Retainage).

3.1.38 FEASIBILITY. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.39 SUBWAY AGREEMENT. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.40 BLOOMBERG LEASE. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.41 CONDOMINIUM DOCUMENTS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.42 UNIT CONTRACTS. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.43 ZLDA. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.44 FULL AND ACCURATE DISCLOSURE. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.45 FOREIGN PERSON. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.46 INVESTMENT COMPANY ACT. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.47 ORGANIZATIONAL STRUCTURE. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.48 TAX CERTIFICATES. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

3.1.49 INCLUSIONARY HOUSING PROGRAM. The representations and warranties set forth in the corresponding Section of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 3.2 CONTINUING EFFECTIVENESS AND SURVIVAL OF REPRESENTATIONS.

All representations and warranties contained in any documents furnished to Agent and/or Lenders by or on behalf of Borrower, as part of or in support of the Loan application or pursuant to this Agreement or any of the other Loan Documents shall be deemed to be incorporated by reference in each requisition for Advance by Borrower, and each Draw Request submitted to Agent as provided in Section 2.10.1 hereof shall constitute an affirmation that the representations and warranties contained in Article III of this Agreement and in the other Loan Documents remain true and correct in all material respects as of the date of such Draw Request unless Borrower specifically notifies Agent of any change therein; and unless Agent is notified to the contrary, in writing, prior to the disbursement of the requested Advance or any portion thereof; shall constitute an affirmation that the same remain true and correct in all material respects on the date of such disbursement unless Borrower specifically notifies Agent of any change therein. The representations and warranties set forth in Section 3.1 shall survive for so long as any amount remains payable to Agent and/or Lenders under this Agreement or any of the other Loan Documents.

IV. BORROWER COVENANTS

SECTION 4.1 BORROWER AFFIRMATIVE COVENANTS.

Borrower hereby covenants and agrees that:

4.1.1 EXISTENCE; COMPLIANCE WITH LEGAL REQUIREMENTS. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.2 TAXES AND OTHER CHARGES. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.3 LITIGATION. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.4 ACCESS TO PROPERTY. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.5 FURTHER ASSURANCES; SUPPLEMENTAL MORTGAGE AFFIDAVITS. Borrower shall, at Borrower's sole cost and expense:

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

(b) do and execute all and such further lawful and reasonable acts, conveyances and assurances for the better and more effective carrying out of the intents and purposes of this Agreement and the other Supplemental Loan Documents, as Agent shall reasonably require from time to time; and

(c) furnish to Agent all instruments, documents, certificates, plans and specifications, appraisals, title and other insurance, reports and agreements and each and every other document and instrument in each case required to be furnished by the terms of this Agreement or the other Supplemental Loan Documents, all at Borrower's reasonable expense.

4.1.6 FINANCIAL REPORTING. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.7 TITLE TO THE PROPERTY. Borrower will warrant and defend the validity and priority of the Liens of the Supplemental Loan Mortgage and the Supplemental Loan Assignment of Leases on the Property and the Lien created pursuant to the Cash Collateral Agreement on the Cash Collateral against the claims of all Persons whomsoever, subject with respect to the Property only to Permitted Encumbrances. The Title Company, in its capacity as subrogee to Lenders' rights against Borrower, shall not have the right to enforce this Section 4.1.7 against Borrower.

4.1.8 ESTOPPEL STATEMENT. (a) After request by Agent, Borrower shall within five (5) Business Days furnish Agent with a statement, duly acknowledged and certified, stating (i) the unpaid principal amount of the Building Loan Note, the Supplemental Loan Note and the Project Loan Note, respectively, (ii) the Applicable Interest Rate of the Note, (iii) the date installments of interest and/or principal were last paid on the Note, (iv) any offsets or defenses to the payment of the Total Debt, if any, and (v) that this Agreement, the Building Loan Agreement and the Project Loan Agreement and the other Loan Documents have not been modified or if modified, giving particulars of such modification.

(b) After request by Borrower, Agent shall within ten (10) Business Days furnish Borrower with a written statement that (i) the unpaid principal amount of the Building Loan Note, the Supplemental Loan Note and the Project Loan Note, respectively, (ii) the Applicable Interest Rate of the Note, (iii) the date installments of interest and/or principal were last paid on the Note, and (iv) that this Agreement, the Building Loan Agreement and the Project Loan Agreement and the other Loan Documents have not been modified or if modified, giving particulars of such modification, provided that Borrower shall not have the right to request such certificate from Agent more frequently than two (2) times in any calendar year.

(c) After request by Agent, Borrower shall use commercially reasonable efforts to obtain and deliver to Agent an estoppel certificate from each Tenant under any Lease; provided that such certificate may be in the form required under such Lease; provided further that Borrower shall not be required to use such efforts to obtain and deliver such certificates more frequently than two (2) times in any calendar year.

4.1.9 LEASES. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.10 ALTERATIONS. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.11 FINANCIAL COVENANTS. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.12 UPDATED APPRAISAL. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.13 FACILITY FEE AND ADMINISTRATIVE FEE. Borrower shall pay to Agent the Up-Front Fee and the Administrative Fee in accordance with the Loan Fee Letter.

4.1.14 INTEREST RATE PROTECTION AGREEMENT. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.15 INTENTIONALLY OMITTED.

4.1.16 INTENTIONALLY OMITTED.

4.1.17 INSURANCE. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.18 INTENTIONALLY OMITTED.

4.1.19 SUPPLEMENTAL LOAN COSTS AND EXPENSES. Borrower shall promptly pay when due all Supplemental Loan Costs; provided that Borrower's right to dispute the same shall not diminish Borrower's obligations to remove or discharge in accordance with the terms of this Agreement, the Mortgage and the other Loan Documents any mechanic's or materialman's Liens filed against the Property.

4.1.20 FEES. Borrower shall promptly pay when due the reasonable fees of the Construction Consultant, all reasonable out-of-pocket costs and expenses, including, without limitation, appraisal fees (to the extent provided herein), recording fees and charges, abstract fees, title policy fees, escrow fees, reasonable attorneys' fees, fees of inspecting architects and engineers to the extent provided hereunder in connection with Advances, environmental consultants to the extent provided in the Supplemental Loan Mortgage, mortgage servicing fees and expenses, and all other reasonable costs and expenses of every character which have been incurred or which may hereafter be incurred by Agent in connection with the preparation and

execution of the Supplemental Loan Documents, including any extension, amendment or modification thereof, the funding of the Supplemental Loan, and enforcement of the Supplemental Loan Mortgage, the Supplemental Loan Note, and the other Supplemental Loan Documents, and for any services which may be required in addition to those normally and reasonably contemplated hereby and or by the other Loan Documents or which may be required in the negotiation, preparation, execution and delivery of any consents, amendments, waivers or other modifications to this Agreement and the other Loan Documents and any subordination, non-disturbance and attornment agreement or Lease approvals, the releases of Residential Units or other documents or matters requested by Borrower; including, without limitation, reasonable attorneys' fees in any action for the foreclosure of the Supplemental Loan Mortgage and the collection of the Supplemental Loan, and all such fees incurred in connection with any bankruptcy or insolvency proceeding; and Borrower will, within thirty (30) days after demand by Agent (together with reasonable evidence of incurrence of such expenses), reimburse Agent for all such reasonable expenses which have been incurred. All amounts incurred or paid by Agent under this Section 4.1.20, together with interest thereon at the Default Rate from the due date until paid by Borrower, shall be added to the Debt and shall be secured by the lien of the Supplemental Loan Mortgage.

4.1.21 INTENTIONALLY OMITTED.

4.1.22 INTENTIONALLY OMITTED.

4.1.23 INTENTIONALLY OMITTED.

4.1.24 CONSTRUCTION CONSULTANT/DUTIES AND ACCESS. Borrower shall permit Agent to retain the Construction Consultant at the reasonable cost of Borrower to perform the following services on behalf of Agent in accordance with the terms of this Agreement:

(a) To review and advise Agent whether, in the opinion of the Construction Consultant, the Plans and Specifications are satisfactory;

(b) To review Draw Requests and change orders; and

(c) To make periodic inspections (approximately at the date of each Draw Request) for the purpose of assuring that construction of the Improvements to date is in accordance with the Plans and Specifications and to approve Borrower's then current Draw Request as being consistent with Borrower's obligations under this Agreement, including inter alia, an opinion as to Borrower's continued compliance with the provisions of Section 2.9.1(e)(vi) of the Building Loan Agreement.

The fees of the Construction Consultant shall be paid by Borrower within thirty (30) days after billing therefor and expenses incurred by Agent on account thereof shall be reimbursed to Agent within thirty (30) days after request therefor, but neither Agent nor the Construction Consultant shall have any liability to Borrower on account of (i) the services performed by the Construction Consultant, (ii) any neglect or failure on the part of the Construction Consultant to properly perform its services or (iii) any approval by the Construction Consultant of construction of the Improvements. Neither Agent nor the Construction Consultant

assumes any obligation to Borrower or any other person concerning the quality of construction of the Improvements or the absence thereof of defects.

4.1.25 INTENTIONALLY OMITTED.

4.1.26 BOOKS AND RECORDS. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.27 INDEBTEDNESS. Borrower shall duly and promptly pay all Borrower's indebtedness to Lenders according to the terms of this Agreement, the Supplemental Loan Note and the other Supplemental Loan Documents, and shall incur no other Indebtedness in any form, whether direct, indirect, primary, secondary, or contingent, without Agent's prior written consent, other than such indebtedness contemplated hereunder in connection with constructing and operating the Improvements, the indebtedness created under the Building Loan Documents and Project Loan Documents and the Indebtedness permitted pursuant to Section 4.2.14 of the Building Loan Agreement, which other Indebtedness in each case is paid on a timely basis.

4.1.28 MAINTAIN EXISTENCE. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.29 BONDS. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.30 FINANCING PUBLICITY. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.31 EASEMENTS AND RESTRICTIONS; ZONING. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.32 LABORERS, SUBCONTRACTORS AND MATERIALMEN. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.33 OWNERSHIP OF PERSONALTY. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.34 COMPLY WITH OTHER SUPPLEMENTAL LOAN DOCUMENTS. Borrower shall perform all of Borrower's obligations under the Supplemental Loan Note and the other Supplemental Loan Documents.

4.1.35 PURCHASE OF MATERIAL UNDER CONDITIONAL SALE CONTRACT. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.36 FURTHER ASSURANCE OF TITLE. Borrower shall further assure title as follows: If at any time Agent has reason to believe in its reasonable opinion that any Advance is not secured or will or may not be secured by the Supplemental Loan Mortgage as a second

priority lien or security interest on the Improvements (subject only to the Permitted Encumbrances), then Borrower shall, within ten (10) days after written notice from Agent, do all things and matters necessary (including execution and delivery to Agent of all further documents and performance of all other acts which Agent reasonably deems necessary or appropriate) to assure to the reasonable satisfaction of Agent that any Advance previously made hereunder or to be made hereunder is secured or will be secured by the Supplemental Loan Mortgage as a second priority lien or security interest with respect to the Improvements (subject only to the Permitted Encumbrances). Lenders, at Agent's option, may decline to make further Advances hereunder until Agent has received such assurance. The Title Company, in its capacity as subrogee to Lenders' rights against Borrower, shall not have the right to enforce this Section 4.1.36 against Borrower.

4.1.37 CONDOMINIUM. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.38 TAX BENEFITS. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.39 INCLUSIONARY HOUSING PROGRAM. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.40 ERISA. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.1.41 INTENTIONALLY OMITTED.

4.1.42 INTENTIONALLY OMITTED.

4.1.43 REA. Borrower shall comply with its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

SECTION 4.2 BORROWER NEGATIVE COVENANTS.

Borrower covenants and agrees that:

4.2.1 DUE ON SALE AND ENCUMBRANCE; TRANSFERS OF INTERESTS. Borrower shall not permit or suffer any Transfer, other than a Permitted Transfer, without the prior written consent of Agent.

4.2.2 LIENS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.3 DISSOLUTION. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.4 CHANGE IN BUSINESS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.5 DEBT CANCELLATION. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.6 AFFILIATE TRANSACTIONS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.7 ZONING. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.8 ASSETS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.9 NO JOINT ASSESSMENT. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.10 PRINCIPAL PLACE OF BUSINESS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.11 ERISA. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.12 NO DISTRIBUTIONS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.13 CHANGE ORDERS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

4.2.14 INDEBTEDNESS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section..

4.2.15 ORGANIZATIONAL DOCUMENTS. Borrower shall observe all of its covenants set forth in the Section of the Building Loan Agreement that corresponds to this Section.

V. INSURANCE, CASUALTY AND CONDEMNATION

5.1.1 INSURANCE COVERAGE. (a) Borrower, at its sole cost and expense, shall obtain and maintain, or cause to be maintained, insurance for Borrower and the Property in accordance with Article V of the Building Loan Agreement.

5.1.2 INTENTIONALLY OMITTED.

5.1.3 INTENTIONALLY OMITTED.

SECTION 5.2 CASUALTY AND CONDEMNATION.

The provisions of Section 5.2 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 5.3 DELIVERY OF NET PROCEEDS.

The provisions of Section 5.3 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

VI. NET CASH FLOW FUNDS

SECTION 6.1 DEPOSITS OF NCF FUNDS.

The provisions of Section 6.1 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 6.2 INTENTIONALLY OMITTED.

SECTION 6.3 SECURITY INTEREST IN FUNDS.

The provisions of Section 6.3 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 6.4 CASH MANAGEMENT.

The provisions of Section 6.4 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

VII. PROPERTY MANAGEMENT AND REA

SECTION 7.1 THE MANAGEMENT AGREEMENT.

The provisions of Section 7.1 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 7.2 PROHIBITION AGAINST TERMINATION OR MODIFICATION.

The provisions of Section 7.2 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 7.3 REPLACEMENT OF MANAGER.

The provisions of Section 7.3 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

VIII. TRANSFERS

SECTION 8.1 AGENT'S AND LENDERS' RELIANCE.

Borrower acknowledges that Agent and Lenders have examined and relied on the experience of Borrower and its general partners, members, principals and (if Borrower is a trust) beneficial owners in owning and operating properties such as the Property in agreeing to enter

into this Agreement and make the Supplemental Loan, and will continue to rely on Borrower's ownership of the Property as a means of maintaining the value of the Property as security for repayment of the Debt and the performance of Borrowers obligations under the Loan Documents. Borrower acknowledges that Agent and Lenders have a valid interest in maintaining the value of the Property so as to ensure that, should Borrower default in the repayment of the Debt or the performance of Borrower's obligations under the Supplemental Loan Documents, Agent and Lenders can recover the Debt by a sale of the Property.

SECTION 8.2 NO TRANSFERS.

Except for Permitted Transfers, Borrower shall not Transfer the Property or any part thereof or permit or suffer the Property or any part thereof to be Transferred or permit any other Transfer to occur, unless Agent shall consent thereto in writing, in Agent's sole and absolute discretion. The subordination by Agent of the Liens of the Mortgage to the ZLDA shall not be deemed to impair, abridge or otherwise affect the restrictions on Transfers set forth in this Agreement and the Mortgage, which shall remain in full force and effect.

SECTION 8.3 PERMITTED TRANSFERS.

8.3.1 PERMITTED TRANSFERS. The restrictions on Transfers set forth in Section 8.2 shall not apply to the following Transfers (collectively, "PERMITTED TRANSFERS"):

(a) the direct or indirect issuance, redemption, repurchase, conversion, sale, transfer, pledge or other disposition of publicly or privately traded securities of Vornado Realty Trust (the "REIT") or the direct or indirect issuance, redemption, repurchase, conversion, transfer, pledge or other disposition of limited partnership interests in Vornado, provided that the REIT (or any permitted successor by merger or consolidation as hereinafter provided) shall at all times (i) be and remain the general partner of Vornado (or any permitted successor by merger or consolidation as hereinafter provided) and have the right and power to direct the management, policies and day to day business and affairs of Vornado (or any permitted successor by merger or consolidation as hereinafter provided) and (ii) directly or indirectly own a minimum of fifty one percent (51%) of the common equity interests in Vornado (or any permitted successor by merger or consolidation as hereinafter provided);

(b) a merger or consolidation of the REIT or Vornado into or with another Person, or the merger or consolidation of another Person into or with the REIT or Vornado, provided that at all times thereafter (i) the senior management of Vornado shall continue to be the senior management of the surviving entity with the power to direct management, policies and day to day business and affairs of such surviving entity, and (ii) the Management Agreement for the Property continues in full force and effect with the surviving entity having the right and power to direct the management, policies and day to day business and affairs of the Manager and directly or indirectly owning a minimum of fifty one percent (51%) of the interests in Manager and (iii) each of the financial covenants contained in the Guaranty of Completion and Guaranty of Limited Recourse Obligations made by Vornado remain true and correct as of the date of such merger or consolidation, after giving effect to the same;

(c) the direct or indirect issuance, sale, redemption, repurchase, conversion, transfer, pledge or other disposition of publicly or privately traded securities of Alexander's or a merger or consolidation of Alexander's into or with another Person or a merger of another Person into or with Alexander's provided that (i) the Management Agreement for the Property continues in full force and effect at such time and (ii) the financial covenant contained in the Guaranty of Carry Obligations and Guaranty of Limited Recourse Obligations made by Alexander's remains true and correct as of the date of such merger or consolidation, after giving effect to the same;

(d) the pledge of ownership interests in Commercial Holding and Residential Holding as security for the Mezzanine Loan for so long as the Mezzanine Loan continues to be owned by Vornado (or its successor by merger or consolidation as provided herein) or an entity directly or indirectly wholly-owned by Vornado, (or its successor by merger or consolidation as provided herein) or the transfer of such interests to Vornado (or its successor by merger or consolidation as provided herein) or an entity directly or indirectly wholly-owned by Vornado as a result of a foreclosure or transfer-in-lieu of foreclosure of the Mezzanine Loan Collateral as Mezzanine Lender;

(e) the conversion of the Property to a condominium form of ownership, subject the provisions of Section 4.1.37 of the Building Loan Agreement;

(f) transfers of Residential Units pursuant to Qualifying Contracts in conjunction with a release of such Units from the liens of the Mortgage pursuant to Section 4.1.37(i) of the Building Loan Agreement;

(g) easements affecting the Property that are granted with the approval of Agent (not to be unreasonably withheld) in accordance with the terms of this Agreement, the Building Loan Agreement and the Mortgage; and

(h) any Liens that are Permitted Encumbrances.

IX. DEFAULTS

SECTION 9.1 EVENTS OF DEFAULT.

(a) The occurrence of an Event of Default under (and as defined in) the Building Loan Agreement shall constitute an event of default hereunder (an "EVENT OF DEFAULT").

(b) Upon the occurrence of an Event of Default (other than an Event of Default described in clauses (vii), (viii) or (ix) of Section 9.1(a) of the Building Loan Agreement) and at any time thereafter Agent may, 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, without notice or demand, that Agent deems advisable to protect and enforce its rights against Borrower and in and to the Property, including, without limitation, declaring the Total Debt to be immediately due and payable, and Agent may enforce or avail itself of any or all rights or remedies provided 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 said clauses (vii), (viii) or (ix), the Total Debt 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.

SECTION 9.2 RIGHTS AND REMEDIES OF AGENT AND LENDERS.

9.2.1 REMEDIES. (a) Upon the occurrence of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available to Agent against Borrower under this Agreement or any of the other Supplemental Loan Documents executed and delivered by, or applicable to, Borrower or at law or in equity may be exercised by Agent at any time and from time to time, whether or not all or any of the Debt shall be declared due and payable, and whether or not Agent shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Supplemental Loan Documents with respect to the Property or the Cash Collateral. Any such actions taken by Agent shall be cumulative and concurrent and may be pursued independently, singly, successively, together or otherwise, at such time and in such order as Agent may determine in its sole discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of Agent permitted by law, equity or contract or as set forth herein or in the other Supplemental Loan Documents. Without limiting the generality of the foregoing, Borrower agrees that, to the fullest extent permitted by applicable law, if an Event of Default is continuing (i) Agent is not subject to any "one action" or "election of remedies" law or rule, and (ii) all liens and other rights, remedies or privileges provided to Agent shall remain in full force and effect until Agent has exhausted all of its remedies against the Property and the Supplemental Loan Mortgage has been foreclosed, sold and/or otherwise realized upon in satisfaction of the Debt or the Debt has been paid in full.

(b) Agent shall have the right from time to time following the occurrence of an Event of Default to partially foreclose the Supplemental Loan Mortgage in any manner and for any amounts secured by the Supplemental Loan Mortgage then due and payable as determined by Agent in its sole discretion including, without limitation, the following circumstances: (i) in the event Borrower defaults beyond any applicable grace period in the payment of one or more scheduled payments of principal and interest, Agent may foreclose the Supplemental Loan Mortgage to recover such delinquent payments, or (ii) in the event Agent elects to accelerate less than the entire outstanding principal balance of the Loan, Agent may foreclose the Supplemental Loan Mortgage to recover so much of the principal balance of the Supplemental Loan as Agent may accelerate and such other sums secured by the Supplemental Loan Mortgage as Agent may elect. Notwithstanding one or more partial foreclosures, the Property shall remain subject to the Supplemental Loan Mortgage to secure payment of sums secured by the Supplemental Loan Mortgage and not previously recovered.

(c) Agent shall have the right from time to time to sever the Supplemental Loan Note and the other Loan Documents into one or more separate notes, mortgages and other security documents (the "SEVERED LOAN DOCUMENTS") in such denominations as Agent shall determine in its sole discretion for purposes of evidencing and enforcing its rights and remedies provided hereunder. Borrower shall execute and deliver to Agent from time to time, promptly

after the request of Agent, a severance agreement and such other documents as Agent shall request in order to effect the severance described in the preceding sentence, all in form and substance reasonably satisfactory to Agent. Borrower hereby absolutely and irrevocably appoints Agent 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 the aforesaid severance, Borrower ratifying all that its said attorney shall do by virtue thereof; provided, however, Agent shall not make or execute any such documents under such power until three (3) Business Days after notice has been given to Borrower by Agent of Agent's intent to exercise its rights under such power. Borrower shall not be obligated to pay any costs or expenses incurred in connection with the preparation, execution, recording or filing of the Severed Loan Documents, and the Severed Loan Documents shall not contain any representations, warranties or covenants not contained in the Supplemental Loan Documents and any such representations and warranties contained in the Severed Loan Documents will be given by Borrower only as of the Closing Date or the date of the last Advance made hereunder or under the Project Loan Agreement, whichever is later.

(d) Upon the occurrence of an Event of Default, Agent may declare Lenders' obligations to make Advances hereunder to be terminated, whereupon the same shall terminate, and/or declare all unpaid principal of and accrued interest on the Supplemental Loan Note, together with all other sums payable under the Supplemental Loan Documents, to be immediately due and payable, whereupon same shall become and be immediately due and payable, anything in the Supplemental Loan Documents to the contrary notwithstanding, and without presentation, protest or further demand or notice of any kind, all of which are expressly hereby waived by Borrower; provided, however, that Lenders may make Advances or parts of Advances thereafter without thereby waiving the right to demand payment of the Supplemental Loan Note, without becoming liable to make any other or further Advances, and without affecting the validity of or enforceability of the Supplemental Loan Documents. Notwithstanding and without limiting the generality of the foregoing or anything else to the contrary contained in this Agreement, upon the occurrence of an Event of Default, Lenders' obligations to make Advances hereunder shall automatically terminate.

(e) Upon the occurrence of an Event of Default, subject to Agent's first providing Vornado with an opportunity to assume responsibility for the construction of the Improvements in accordance with the Guaranty of Completion, Agent may cause the Improvements to be completed and may enter upon the Property and construct, equip and complete the Improvements in accordance with the Plans and Specifications, with such changes therein as Agent may, from time to time, and in its sole discretion, deem appropriate. In connection with any construction of the improvements undertaken by Agent pursuant to the provisions of this subsection, Agent may:

(i) use any funds of Borrower, including any balance which may be held by Agent as security or in escrow, and any funds remaining unadvanced under the Supplemental Loan;

(ii) employ existing contractors, subcontractors, including Major Trade Contractors, agents, architects, engineers, and the like, or terminate the same and employ others;

(iii) employ security watchmen to protect the Property;

(iv) make such additions, changes and corrections in the Plans and Specifications as shall, in the judgment of Agent, be necessary or desirable;

(v) take over and use any and all Personal Property contracted for or purchased by Borrower, if appropriate, or dispose of the same as Agent sees fit;

(vi) execute all applications and certificates on behalf of Borrower which may be required by any Governmental Authority or Law or Regulation or contract documents or agreements;

(vii) pay, settle or compromise all existing or future bills and claims which are or may be liens against the Property, or may be necessary for the Completion of the Improvements or the clearance of title to the Property, including, without limitation, all taxes and assessments;

(viii) complete the marketing and sale of Residential Units, and complete the marketing and leasing of leasable space in the Improvements, enter into new leases and occupancy agreements of the Residential Units or Commercial Units, and modify or amend existing leases and occupancy agreements, all as Agent shall deem to be necessary or desirable;

(ix) prosecute and defend all actions and proceedings in connection with the construction of the Improvements or in any other way affecting the Property, the Improvements and take such action and require such performance as Agent deems necessary under the Payment and Performance Bonds; and (x) take such other action hereunder, or refrain from acting hereunder, as Agent may, in its sole and absolute discretion, from time to time determine, and without any limitation whatsoever, to carry out the intent of this Section 9.21.

Borrower shall be liable to Agent for all costs paid or incurred for the construction, completion and equipping of the Improvements, whether the same shall be paid or incurred pursuant to the provisions of this Section or otherwise, and all payments made or liabilities incurred by Agent hereunder of any kind whatsoever shall be deemed advances made to Borrower under this Agreement and shall be secured by the Supplemental Loan Mortgage and the other Supplemental Loan Documents.

To the extent that any costs so paid or incurred by Agent, together with all other Advances made by Lenders hereunder, exceed the Supplemental Loan Amount, such excess costs shall be paid by Borrower to Agent on demand, with interest thereon at the Default Rate until paid; and Borrower shall execute such notes or amendments to the Supplemental Loan Note as may be requested by Agent to evidence Borrower's obligation to pay such excess costs and until such notes or amendments are so executed by Borrower, Borrower's obligation to pay such excess costs shall be deemed to be evidenced by this Agreement. In the event Agent takes possession of the Property and assumes control of such construction as aforesaid, Agent shall not be obligated to continue such construction longer than Agent shall see fit and may thereafter, at

any time, change any course of action undertaken by it or abandon such construction and decline to make further payments for the account of Borrower whether or not the Property shall have been completed. For the purpose of this Section, the construction, equipping and completion of the Property shall be deemed to include any action necessary to cure any Event of Default by Borrower under any of the terms and provisions of any of the Supplemental Loan Documents.

(f) Upon the occurrence of an Event of Default, Agent may appoint or seek appointment of a receiver, without notice and without regard to the solvency of Borrower or the adequacy of the security, for the purpose of preserving the Property, preventing waste, and to protect all rights accruing to Agent and/or Lenders by virtue of this Agreement and the other Supplemental Loan Documents, and expressly to do any further acts as Agent may determine to be necessary to complete the development and construction of the Improvements. All expenses incurred in connection with the appointment of such receiver, or in protecting, preserving, or improving the Property, shall be charged against Borrower and shall be secured by the Supplemental Loan Mortgage and enforced as a lien against the Property.

(g) Upon the occurrence of an Event of Default, Agent may accelerate maturity of the Supplemental Loan Note and any other indebtedness of Borrower to Lenders, and demand payment of the principal sum due thereunder, with interest, advances, costs and reasonable attorneys' fees and expenses (including those for appellate proceedings), and enforce collection of such payment by foreclosure of the Supplemental Loan Mortgage or the enforcement of any other collateral, or other appropriate action.

9.2.2 POWER OF ATTORNEY. For the purposes of carrying out the provisions and exercising the rights, powers and privileges granted by or referred to in this Agreement, Borrower hereby irrevocably constitutes and appoints Agent its true and lawful attorney-in-fact, with full power of substitution, to execute, acknowledge and deliver any instruments and do and perform any acts which are referred to in this Agreement, in the name and on behalf of Borrower after the occurrence of an Event of Default. The power vested in such attorney-in-fact is, and shall be deemed to be, coupled with an interest and irrevocable.

9.2.3 REMEDIES CUMULATIVE. Upon the occurrence of any Event of Default, the rights, powers and privileges provided in this Article IX and all other remedies available to Agent and Lenders under this Agreement or under any of the other Supplemental Loan Documents or at law or in equity may be exercised by Agent and Lenders at any time and from time to time and shall not constitute a waiver of Agent's or any of Lenders' other rights or remedies thereunder, whether or not the Supplemental Loan shall be due and payable, and whether or not Agent shall have instituted any foreclosure proceedings or other action for the enforcement of its rights under the Supplemental Loan Documents.

9.2.4 ANNULMENT OF DEFAULTS. An Event of Default shall not be deemed to be in existence for any purpose of this Agreement or any Loan Document if Agent shall have waived such Event of Default in writing or stated that the same has been cured to its reasonable satisfaction, but no such waiver shall extend to or affect any subsequent Event of Default or impair any of the rights of Lenders upon the occurrence thereof.

9.2.5 WAIVERS. Borrower hereby waives to the extent not prohibited by applicable law (a) all presentments, demands for payment or performance, notices of nonperformance (except to the extent required by the provisions hereof or of any other Supplemental Loan Documents), protests and notices of dishonor, (b) any requirement of diligence or promptness on Agent's or Lenders' part in the enforcement of its rights (but not fulfillment of its obligations) under the provisions of this Agreement or any other Supplemental Loan Document, and (c) any and all notices of every kind and description which may be required to be given by any statute or rule of law.

9.2.6 COURSE OF DEALING, ETC. No course of dealing and no delay or omission by Agent, Lenders or Borrower in exercising any right or remedy hereunder shall operate as a waiver thereof or of any other right or remedy and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. No waiver or consent shall be binding upon Lenders unless it is in writing and signed by Agent. Agent's exercise of Agent's right to remedy any default by Borrower to Lenders or any other person, firm or corporation shall not constitute a waiver of the default remedied, a waiver of any other prior or subsequent default by Borrower or a waiver of the right to be reimbursed for any and all of its expenses in so remedying such default. The making of an Advance hereunder during the existence of an Event of Default shall not constitute a waiver thereof. All rights and remedies of Lenders hereunder are cumulative. No Advance of Supplemental Loan proceeds hereunder, no increase or decrease in the amount of any Advance, and no making of all or any part of an Advance prior to the due date thereof shall constitute an approval or acceptance by Lenders of the work theretofore done or a waiver of any of the conditions of Lenders' obligation to make further Advances, nor in the event Borrower is unable to satisfy any such condition, shall any such failure to insist upon strict compliance have the effect of precluding Lenders from thereafter refusing to make an Advance and/or declaring such inability to be an Event of Default as hereinabove provided. All Advances shall be deemed to have been made pursuant hereto and not in contravention of the terms of this Agreement.

SECTION 9.3 REMEDIES CUMULATIVE.

The rights, powers and remedies of Agent under this Agreement shall be cumulative and not exclusive of any other right, power or remedy which Agent may have against Borrower pursuant to this Agreement or the other Loan Documents, or existing at law or in equity or otherwise. Agent's rights, powers and remedies may be pursued singly, concurrently or otherwise, at such time and in such order as Agent may determine in Agent'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.

X. MISCELLANEOUS

SECTION 10.1 SUCCESSORS AND ASSIGNS.

All covenants, promises and agreements in this Agreement, by or on behalf of Borrower, shall inure to the benefit of the respective legal representatives, successors and assigns of Agent and Lenders.

SECTION 10.2 AGENT'S AND LENDER'S DISCRETION.

Whenever, pursuant to this Agreement, Agent and/or a Lender exercises any right given to it to approve or disapprove, or any arrangement or term is to be satisfactory to Agent and/or any Lender, the decision of Agent and/or such Lender to approve or disapprove or to decide whether arrangements or terms are satisfactory or not satisfactory shall (except as is otherwise specifically herein provided) be in the sole discretion of Agent and/or such Lender, as applicable, and shall be final and conclusive.

SECTION 10.3 GOVERNING LAW, JURISDICTION AND AGENT FOR SERVICE.

(A) THIS AGREEMENT WAS NEGOTIATED IN THE STATE OF NEW YORK, AND MADE BY AGENT AND LENDERS AND ACCEPTED BY BORROWER IN THE STATE OF NEW YORK, AND THE PROCEEDS OF THE SUPPLEMENTAL LOAN NOTE DELIVERED PURSUANT HERETO 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 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 LAWS) AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA, EXCEPT THAT AT ALL TIMES THE PROVISIONS FOR THE CREATION, PERFECTION, AND ENFORCEMENT OF THE LIEN AND SECURITY INTEREST CREATED PURSUANT THE SUPPLEMENTAL LOAN MORTGAGE SHALL BE GOVERNED BY AND CONSTRUED ACCORDING TO THE LAW OF THE STATE IN WHICH THE PROPERTY IS LOCATED, IT BEING UNDERSTOOD THAT, TO THE FULLEST EXTENT PERMITTED BY THE LAW OF SUCH STATE, THE LAW OF THE STATE OF NEW YORK SHALL GOVERN THE CONSTRUCTION, VALIDITY AND ENFORCEABILITY OF ALL LOAN DOCUMENTS AND ALL OF THE OBLIGATIONS ARISING HEREUNDER OR THEREUNDER. TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER 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 AND THE 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.

(B) ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST AGENT, ANY LENDER OR BORROWER ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY AT AGENT'S OR LENDERS' OPTION 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 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 HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUIT, ACTION OR PROCEEDING. BORROWER DOES HEREBY DESIGNATE AND APPOINT:

Proskauer Rose LLP
1585 Broadway
New York, New York 10035
Attention: Lawrence J. Lipson, Esq.

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 AGENT 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 BORROWER PURSUANT TO A WRITTEN CONSENT IN FORM AND SUBSTANCE SATISFACTORY TO AGENT.

SECTION 10.4 MODIFICATION, WAIVER IN WRITING.

No modification, amendment, extension, discharge, termination or waiver of any provision of this Agreement or of any other Loan Document, nor consent to any departure by Borrower 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 10.5 DELAY NOT A WAIVER.

Neither any failure nor any delay on the part of Agent and/or Lenders in insisting upon strict performance of any term, condition, covenant or agreement, or exercising any right, power, remedy or privilege hereunder, or under any other Loan Document, 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 or any other Loan Document, neither Agent nor Lenders shall be deemed to have waived any right either to require prompt payment when due of all other amounts due under this Agreement or the other Loan Documents, or to declare a default for failure to effect prompt payment of any such other amount.

SECTION 10.6 NOTICES.

The provisions of Section 10.6 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 10.7 TRIAL BY JURY.

BORROWER, AGENT AND EACH LENDER EACH HEREBY AGREE NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVE ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THE LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY BORROWER, AGENT AND EACH 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. BORROWER, AGENT AND EACH LENDER ARE EACH HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER.

SECTION 10.8 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 10.9 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 10.10 PREFERENCES.

Each Lender shall have the continuing and exclusive right to apply or reverse and reapply any and all payments by Borrower to any portion of the obligations of Borrower hereunder. To the extent Borrower makes a payment or payments to Agent or any 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 Agent or such Lender.

SECTION 10.11 WAIVER OF NOTICE.

Borrower shall not be entitled to any notices of any nature whatsoever from Agent or Lenders except with respect to matters for which this Agreement or the other Loan Documents specifically and expressly provide for the giving of notice by Agent and/or Lenders 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 Agent and/or any 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 Agent and/or such Lender to Borrower.

SECTION 10.12 REMEDIES OF BORROWER.

In the event that a claim or adjudication is made that Agent or any Lender or its agents have acted unreasonably or unreasonably delayed acting in any case where, by law or under this Agreement or the other Loan Documents, Agent or such Lender or such agent, as the case may be, has an obligation to act reasonably or promptly, Borrower's sole remedy shall be limited to commencing an action seeking injunctive relief or declaratory judgment and neither Agent nor such Lender nor its agents shall be liable for any monetary damages unless in a final judgment of a court having jurisdiction, it is determined that Agent or such Lender not only acted unreasonably but arbitrarily and capriciously and in bad faith as well. Any action or proceeding to determine whether Agent or a Lender has acted reasonably shall be determined by an action seeking declaratory judgment. Any expedited procedure legally available with such a declaratory judgment action or action for injunctive relief may be utilized to the extent possible.

SECTION 10.13 EXPENSES; INDEMNITY.

The provisions of Section 10.13 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 10.14 SCHEDULES AND EXHIBITS INCORPORATED.

The Schedules and Exhibits 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 10.15 OFFSETS, COUNTERCLAIMS AND DEFENSES.

Any assignee of Agent's or any Lender's interest in and to this Agreement 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 10.16 NO JOINT VENTURE OR PARTNERSHIP; NO THIRD PARTY BENEFICIARIES.

The provisions of Section 10.16 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 10.17 PUBLICITY.

The provisions of Section 10.17 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 10.18 RESERVED.

SECTION 10.19 WAIVER OF OFFSETS/DEFENSES/COUNTERCLAIMS.

Borrower hereby waives the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by Agent or Lenders or their agents or otherwise to offset any obligations to make the payments required by the Loan Documents. No failure by Agent or Lenders to perform any of its obligations hereunder shall be a valid defense to, or result in any offset against, any payments which Borrower is obligated to make under any of the Loan Documents.

SECTION 10.20 CONFLICT; CONSTRUCTION OF DOCUMENTS; RELIANCE.

In the event of any conflict between the provisions of this Agreement and any of the other Supplemental 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 Supplemental Loan Documents and that such Supplemental Loan Documents shall not be subject to the principle of construing their meaning against the party that drafted same. Borrower acknowledges that, with respect to the Supplemental Loan, Borrower shall rely solely on its own judgment and advisors in entering into the Supplemental Loan without relying in any manner on any statements, representations or recommendations of Agent or any Lender or any parent, subsidiary or affiliate of Agent or such

Lender. Neither Agent nor any Lender shall be subject to any limitation whatsoever in the exercise of any rights or remedies available to it under any of the Supplemental 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 Agent or such 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 Agent's and/or Lenders' exercise of any such rights or remedies. Borrower acknowledges that Agent and each Lender engages in the business of real estate financings and other real estate transactions and investments that may be viewed as adverse to or competitive with the business of Borrower or its Affiliates.

SECTION 10.21 BROKERS AND FINANCIAL ADVISORS.

Borrower hereby represents that it has dealt with no financial advisors, brokers, underwriters, placement agents, agents or finders in connection with the transactions contemplated by this Agreement. Borrower shall indemnify, defend and hold each Indemnified Party and its officers and directors harmless from and against any Losses in any way relating to or arising from a Claim by any Person that such Person acted on behalf of Borrower in connection with the transactions contemplated herein. The provisions of this Section 10.21 shall survive the expiration and termination of this Agreement and the payment of the Total Debt.

SECTION 10.22 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, including, without limitation, the Summary of Terms and Conditions dated April 25, 2002 between Borrower and Lender, are superseded by the terms of this Agreement and the other Loan Documents.

SECTION 10.23 JOINT AND SEVERAL LIABILITY.

If Borrower is comprised of more than one Person, all representations, warranties, covenants (both affirmative and negative) and all other obligations hereunder shall be the joint and several obligation of each entity making up Borrower and a Default or Event of Default by any such Person shall be deemed a Default or Event of Default by all such entities and Borrower. The representations, covenants and warranties contained herein or in any other Supplemental Loan Document shall be read to apply to the individual entities comprising Borrower when the context so requires but a breach of any such representation, covenant or warranty or a breach of any obligation under the Supplemental Loan Documents shall be deemed a breach by all such entities and Borrower, entitling Agent and/or Lenders, as applicable, to exercise all of their rights and remedies under all the Supplemental Loan Documents and under applicable law. Notwithstanding anything to the contrary herein contained, except as provided in any Guaranty or in the Environmental Indemnity, no direct or indirect member of Residential Owner or Commercial Owner, nor any principal, director, officer or employee of any such member, shall have any personal liability under the Loan Documents.

SECTION 10.24 ASSIGNMENTS.

(a) Borrower may not assign this Agreement or any of its rights or obligations hereunder without the prior approval of Agent.

(b) No Lender shall assign, transfer, sell, pledge or hypothecate all or any portion of its rights in and to the Loans to any other Person (a Person to which any such assignment, transfer or sale is made in accordance with this Article X being an "ASSIGNEE"):

(i) without the prior written consent of Agent, which consent shall not be unreasonably withheld and shall not be required if the Assignee is an Affiliate of such Lender and provided that such Lender shall not be released from its continuing obligations hereunder after such assignment to its Affiliate;

(ii) so long as no Event of Default shall exist, unless the Assignee is an Affiliate of such Lender or is an Eligible Assignee, and provided that such Lender shall not be released from its continuing obligations hereunder after such assignment to its Affiliate;

(iii) unless such transaction shall be an assignment of a constant and not a varying, ratable percentage of such Lender's interest in the Loan;

(iv) unless the aggregate principal amount of the Loan which is the subject of such transaction is Five Million Dollars (\$5,000,000) or more;

(v) unless, after giving effect to such transaction, such Lender's aggregate unassigned interest in the Loan shall be in a principal amount of at least Five Million Dollars (\$5,000,000) unless such transaction encompasses all of such Lender's rights in and to the Loan in which case such Lender shall have assigned all of its rights in and to the Loan; and

(vi) in the case of an assignment, the parties to each such assignment shall execute and deliver to Agent, for its acceptance and recording the Agent's Register, Agent's form of assignment and acceptance agreement attached hereto as SCHEDULE XIII, with appropriate completions (each, an "ASSIGNMENT AND ACCEPTANCE"), together with a processing and registration fee of \$2,500, which fee shall cover Agent's cost in connection with the assignments under this Agreement.

(c) If an Event of Default has occurred and is continuing, subject to Section 11.4(f), Borrower's consent to any assignment or participation to any party whatsoever shall not be required and all parties hereto agree to promptly execute and file an amendment to this Agreement reflecting any such assignment. Furthermore, if within seven (7) Business Days after receiving a request pursuant to subparagraph (b) above for its consent to any assignment or participation by any Lender, Borrower shall not have either consented or withheld its consent (specifying the reasons therefor), then such consent shall be deemed to have been given.

(d) Borrower agrees to execute, within ten (10) days after request therefor is made by Agent, any documents and/or estoppel certificates reasonably requested by Agent in

connection with such participation or assignment, without charge; provided that such documents and/or estoppel certificates do not expand the liability or obligations of Borrower or reduce assignee's or participant's obligations.

(e) Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance, (x) the assignee thereunder shall be a party thereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party thereto).

(f) Agent shall maintain a register (the "AGENT'S REGISTER") showing the identity of the Lenders from time to time. The entries in the Agent's Register shall be conclusive, in the absence of manifest error, and Borrower, Agent and the Lenders may (and, in the case of any portion of the Loan or other obligation hereunder not evidenced by a Note, shall) treat each Person whose name is recorded in the Register as the owner of such portion of the Loan or other obligation hereunder as the owner thereof for all purposes of this Agreement and the other Loan Documents, notwithstanding any notice to the contrary. Any assignment of any portion of the Loan or other obligation hereunder not evidenced by a Note shall be effective only upon appropriate entries with respect thereto being made in the Register. The Register shall be available for inspection by Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(g) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an Assignee (and, in the case of an Assignee that is not then a Lender or an affiliate thereof, by Borrower and Agent) together with payment to Agent of a registration and processing fee of \$2,500, Agent shall (i) promptly accept such Assignment and Acceptance and (ii) on the effective date determined pursuant thereto record the information contained therein in the Agent's Register and give notice of such acceptance and recordation to the Lenders and Borrower.

(h) Borrower authorizes each Lender to disclose to any participant or Assignee of such Lender (each, a "TRANSFeree") and any prospective Transferee any and all financial information in such Lender's possession concerning Borrower and its Affiliates which has been delivered to such Lender by or on behalf of Borrower pursuant to this Agreement or which has been delivered to such Lender by or on behalf of Borrower in connection with such Lender's credit evaluation of Borrower and its Affiliates prior to becoming a party to this Agreement, provided that any disclosure of Bloomberg's financial statements may only be made in accordance with the terms of the Bloomberg Lease and subject to the confidentiality requirements thereof with respect to the same.

(i) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this Section concerning assignments relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including, without

limitation, any pledge or assignment by a Lender of any Loan or Note to any Federal Reserve Bank in accordance with applicable law.

(j) Borrower agrees that after the effective date under such Assignment and Acceptance, upon the request to Agent by any Lender, Borrower shall execute and deliver to such Lender one or more substitute notes of Borrower evidencing such Lender's Ratable Share of the Building Loan, Supplemental Loan and Project Loan, respectively, in substantially the same form as the Building Loan Note, Supplemental Loan Note and Project Loan Note, respectively, with appropriate insertions as to payee and principal amount. Each such substitute note shall be dated as of the Closing Date.

(k) Notwithstanding anything to the contrary contained in this Agreement, HVB and Agent hereby agree for the benefit of Borrower that provided no Event of Default exists, HVB shall not assign, without the consent of Borrower (which consent shall not be unreasonably withheld or delayed), a portion of the Loan which shall result in the Ratable Share of HVB in its capacity as a Lender being less than, for so long as Lenders continue to have any further funding obligations hereunder, One Hundred One Million and No/100 (\$101,000,000) Dollars of the Maximum Loan Commitment.

(l) Notwithstanding anything to the contrary contained in this Agreement, Borrower shall not be responsible for the costs incurred by any Lender, Assignee or Agent in connection with any such Assignment and Acceptance.

(m) Notwithstanding anything to the contrary contained in this Agreement or the other Loan Documents, Borrower consents to any assignment of the Loan to Vornado or to Mezzanine Lender or any Person that is, directly or indirectly, wholly-owned by Vornado.

SECTION 10.25 ADJUSTMENTS; SET-OFF.

The provisions of Section 10.25 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 10.26 COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute together but one and the same agreement.

XI. AGENT

SECTION 11.1 PERFORMANCE BY AGENT.

If an Event of Default shall have occurred and be continuing, Agent shall have the right, but not the duty, without limitation, upon any of Agent's rights pursuant hereto, to perform the obligations of Borrower which are the subject of the Event of Default, in which event Agent shall endeavor to give notice to Borrower of Agent's performance, and Borrower agrees to pay to Agent, within five (5) days of demand therefor, all actual and reasonable costs and expenses incurred by Agent in connection therewith, including without limitation reasonable attorneys'

fees, together with interest from the date of expenditure at the Default Rate, if an Event of Default shall have given rise to such expenditure. Upon demand by Agent each of the Lenders shall promptly advance to Agent in immediately available funds its ratable portion of the funds expended by Agent in curing such Event of Default together with interest thereon at the Default Rate from the date of Agent's payment through the date prior to the date on which such advance is received by Agent.

SECTION 11.2 ACTIONS.

If Agent shall have reasonable cause to believe that any action or proceeding related to the Property could, if adversely determined, have a material adverse effect upon the rights or interests of Agent and/or Lenders under this Agreement or any of the other Supplemental Loan Documents, Agent shall have the right to commence, appear in and defend such action or proceeding, and in connection therewith Agent may pay necessary expenses, employ counsel, and pay reasonable attorneys' fees. Borrower agrees to pay to Agent, within thirty (30) days (or if an Event of Default has occurred and is continuing, within five (5) days) after demand therefor by Agent, all actual and reasonable costs and expenses incurred by Agent in connection therewith, including without limitation reasonable attorneys' fees, together with interest from the date of expenditure at the Default Rate, if an Event of Default shall have given rise to such action or proceeding. Borrower's obligations to repay such expenses shall be secured by the Supplemental Loan Documents.

SECTION 11.3 NONLIABILITY OF AGENT AND LENDERS.

The provisions of Section 11.3 of the Building Loan Agreement are incorporated herein by reference as if fully set forth herein.

SECTION 11.4 AUTHORIZATION AND ACTION.

(a) Each Lender hereby appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to Agent by the terms hereof, together with such powers as are reasonably incidental thereto. Any and all actions relating to construction of the Improvements, including without limitation, approval of changes to the Loan Budget, Plans and Specifications, contracts and subcontracts and Payment and Performance Bonds, shall be deemed to have been delegated to Agent exclusively and shall not constitute a Major Decision requiring the approval of any other Lender. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of the Note), Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Lenders, and such instructions shall be binding upon all Lenders; provided, however, that Agent shall not be required to take any action which exposes Agent to personal liability or which is contrary to this Agreement or applicable law. Agent agrees to give to each Lender prompt notice of each material notice given to it by Borrower pursuant to the terms of the Loan Documents.

(b) By their execution of this Agreement, all of the Lenders hereby authorize and direct Agent to act on their behalf in all respects in connection with the Loan Documents and

the making of the Loan (but subject to paragraph (e) below) and agree with Borrower that Borrower shall only be required to and shall only deal with Agent and each of the Lenders shall be bound by any acts of Agent.

(c) Except as otherwise expressly provided in this Agreement, Agent (i) shall take all such actions hereunder and under the other Loan Documents which are not inconsistent with the terms hereof or thereof as the Majority Lenders shall instruct and (ii) shall not take any material actions hereunder or under the Loan Documents contrary to the instructions of the Majority Lenders (and shall be fully protected in so acting or refraining from acting upon such instructions) and such instructions shall be binding upon all Lenders; provided, however, that the Majority Lenders shall not have the right to require any Lender to fund its Ratable Share of any amount which is Advanced in excess of the total amount of the Loan. Any provision of this Agreement which grants to Agent the right to make a decision at its sole discretion or in its reasonable judgment or at its option or any other similar provision is intended, unless the context shall clearly require otherwise, to apply only to relations between Borrower and Agent and the respective rights and obligations of Borrower and Agent hereunder and shall not apply to the relations between Agent and the Lenders or the respective rights and obligations of Agent and the Lenders hereunder.

(d) Promptly after Agent acquires actual knowledge thereof, Agent will give written notice to each Lender of any Lien on the Property or material Default under this Agreement or any of the other Loan Documents which in Agent's judgment adversely affects any of the Lenders' interests in the Loan. Agent agrees to consult with Lenders in respect of any material remedial action to be taken in respect of any such Default and shall act substantially in accordance with any decision of the Majority Lenders (and shall be fully protected in so acting). Agent agrees that during a period of forty-five (45) days from Agent's notice to Lenders of any such Default, Agent will not take any such material remedial action without the prior agreement of the Majority Lenders unless in Agent's good faith judgment it is necessary to take more prompt remedial action within such period, with or without the agreement of the Majority Lenders, in order to preserve any collateral for the payment of the Loan or substantive rights or remedies under any of the Loan Documents. Agent shall advise Lenders from time to time of such remedial action as Agent shall have taken. Notwithstanding the foregoing, if the Majority Lenders do not agree on the action to be taken, except as expressly set forth in this Section, Agent reserves the right, in its sole discretion, in each instance, without prior notice to Lenders, to consent to any action or failure to act by Borrower, and to exercise or refrain from exercising any powers or rights Agent may have under or in respect of this Agreement or any of the other Loan Documents relative thereto or any collateral therefor, which would be reasonable. All losses and expenses incurred by Agent in connection with the Loan, the enforcement thereof or the realization of the security therefor shall be borne by the Lenders in accordance with their ratable interest in the Loan, and Lenders will, upon request, reimburse Agent for their Ratable Shares of any expenses incurred by Agent in connection with any such default, any advances made to pay Taxes or Insurance Premiums or Other Charges or otherwise to preserve the lien of the Supplemental Loan Mortgage, Building Loan Mortgage or Project Loan Mortgage or to preserve and protect the Property or made to effect the completion of the Improvements to be constructed pursuant to this Agreement (provided that Agent shall not advance sums in excess of the principal amount of the Supplemental Loan Mortgage, Building Loan Mortgage or Project Loan Mortgage for completion of the Improvements without the prior written consent of the

Majority Lenders), any other expenses incurred in connection with the enforcement of the Supplemental Loan Mortgage, Building Loan Mortgage or Project Loan Mortgage, and any expenses incurred by Agent in connection with the consummation of the Loan not paid or provided for by Borrower.

(e) Except as otherwise provided in this Agreement, any provision of this Agreement or the other Loan Documents may be modified or supplemented only by an instrument in writing signed by Borrower and Agent and any provisions of this Agreement or the other Loan Documents may be waived by Agent, provided that no modification, supplement or waiver shall, unless by an instrument signed by all of the Lenders or by Agent acting with the consent of all of the Lenders, (i) increase or extend the term of the Loan except as otherwise expressly provided in this Agreement, (ii) extend the date fixed for the payment of principal or of interest on the Loan or the amount of any fee payable hereunder (other than the Administrative Fee), (iv) reduce the amount of any such payment of principal or of any such fee, (iii) reduce the rate at which interest is payable on the Loan, (v) alter the terms of Section 10.25 of the Building Loan Agreement or this Section 11.4, (vi) release, substitute or exchange any material portion of the collateral for the Loan except in accordance with the provisions of the Loan Documents related thereto, (vii) modify the definition of the term "Majority Lenders" or modify in any other manner the number or percentage of the Lenders required to make any determinations or receive any rights hereunder or to modify any provision hereof or of any other Loan Document, (viii) modify or waive the Debt Service Coverage Ratio or Loan-to-Value requirements set forth herein, including without limitation modify the definition of the term "Debt Service Coverage Ratio" or "Loan-to-Value," (ix) release any Guarantor or any other Person liable on the Loan from any of their material obligations with respect to the Loan or the completion of the Improvements, (x) subordinate the Liens created by the Loan Documents to any other liens securing indebtedness of Borrower or otherwise, (any such modification, supplement or waiver described in this clauses (i) through (xi) and any other action that expressly requires the consent of all Lenders hereunder is herein referred to as a "MAJOR DECISION"); and provided further, that any modification or supplement of Article XI hereof, or of any of the rights or duties of Agent hereunder, shall require the consent of Agent. The provisions of this subsection are solely for the benefit of the Lenders and Agent and shall not create any rights in Borrower. The provisions of this subsection are solely for the benefit of the Lenders and Agent and shall not create any rights in Borrower.

(f) Provided Majority Lenders have designated a successor agent as provided below, Majority Lenders shall have the right to remove Agent for cause, by written notice to Borrower and Agent to be effective as to Borrower only if, as and when such notice is actually received by Borrower and Agent. If Agent shall resign as administrative agent hereunder or under the other Loan Documents (which Agent may so resign upon thirty (30) days written notice to Borrower and each Lender), or if the Majority Lenders shall remove Agent, then the Majority Lenders shall designate another Lender to perform the obligations and exercise the rights of Agent hereunder. The successor Agent shall assume such obligations in writing and from and after Borrower's receipt of a copy of notice of such replacement and receipt of a copy of such assumption the successor Agent shall be the sole Agent hereunder and the term "AGENT" shall thereafter refer to such successor. Notwithstanding the foregoing, HVB agrees for the benefit of Borrower that it shall not resign as Agent prior to the Initial Maturity Date for so long as (i) Lenders continue to have any further funding obligations hereunder, (ii) no Event of

Default exists, (iii) HVB is generally engaged in the business of being an administrative agent for construction loans in the United States and (iv) the other Lenders do not have the right to remove HVB as Agent for cause as provided herein.

SECTION 11.5 AGENT'S RELIANCE, ETC.

Agent shall administer this Agreement and the other Loan Documents and service the Loan in accordance with the terms and conditions of this Agreement and with the same degree of care as Agent would use in servicing a loan of similar size and type held for its own account; provided, however, that none of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, Agent: (i) may consult with legal counsel (including counsel for Borrower), independent public accountants and other experts selected and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of Borrower or to inspect the Property (including the books and records) of Borrower; (iv) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (v) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 11.6 AGENT AS A LENDER.

With respect to Agent's ownership interest in the Loan and the Loan Documents as a Lender, Agent in its capacity as a Lender shall have the rights and powers of a Lender under this Agreement and the other Loan Documents as set forth herein and therein and may exercise the same as though it were not Agent.

SECTION 11.7 DISTRIBUTION OF PAYMENTS BY AGENT TO LENDERS.

Agent shall promptly distribute to each Lender its Ratable Share of any payment on account of principal or interest or any extension fee received by Agent by credit to an account of such Lender at Agent or by wire transfer to an account of such Lender in accordance with written wiring instructions received by Agent from such Lender, or to such other Person or in such other manner as such Lender may designate, provided any other designated account is maintained at a commercial bank located in the United States of America. If any payments are received by Agent after 11:00 a.m. (New York time), then provided Agent shall not be able to distribute to each Lender its Ratable Share of any such payment on the same day as such payment is received by Agent, Agent shall hold such payment to the extent not so distributed for the benefit of the respective Lenders ratably, shall invest any such Lender's Ratable Share not so distributed in overnight federal funds for the benefit of such Lender and such Lender shall be

entitled to receive its Ratable Share of such payment together with interest earned thereon on the following Business Day. The provisions of this Section 11.7 are subject to the terms and conditions set forth in Section 2.10.4(c) as to any Defaulting Lender.

SECTION 11.8 ASSIGNMENT UPON REPAYMENT

Upon repayment or prepayment of the Loan in full by Borrower in accordance with the terms of this Agreement and the other Loan Documents, Lenders shall, on a one-time basis, assign the Note and Agent shall assign the Mortgage, each without recourse, covenant or warranty of any nature, express or implied, (except if any Lender is not delivering the original Note, in which case such Lender shall execute and deliver a "lost note affidavit" in its customary form with respect to the copy of its Note) to such new mortgagee designated by Borrower (other than Borrower or a nominee of Borrower); provided that Borrower (i) has caused to be paid the reasonable out-of-pocket expenses of Agent and Lenders incurred in connection therewith and Agent's and Lenders' reasonable attorneys' fees for the preparation, delivery and performance of such an assignment, (ii) has caused the delivery of an executed Statement of Oath under Section 275 of the New York Real Property Law; and (iii) has provided such other information and documents which a prudent mortgagee would reasonably require to effectuate such assignment. Borrower shall be responsible for all mortgage recording taxes, recording fees and other charges payable in connection with any such assignment.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized representatives, all as of the day and year first above written.

BORROWER:

731 COMMERCIAL LLC, a Delaware limited liability company

By: 731 Commercial Holding LLC,
a Delaware limited liability company,
as member

By: Alexander's Inc., a Delaware corporation, member

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice
President-Finance and
Administration

731 RESIDENTIAL LLC, a Delaware limited liability company

By: 731 Residential Holding LLC,
a Delaware limited liability company,
as member

By: Alexander's Inc., a Delaware corporation, member

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice
President-Finance and
Administration

AGENT:

BAYERISCHE HYPO- UND
VEREINSBANK AG, NEW YORK
BRANCH

By: /s/ Robert Dowling

Name: Robert Dowling
Title: Managing Director

By: /s/ Anthony Mugno

Name: Anthony Mugno
Title: Director

LENDER[S]:

BAYERISCHE HYPO- UND
VEREINSBANK AG, NEW YORK
BRANCH

By: /s/ Robert Dowling

Name: Robert Dowling
Title: Managing Director

By: /s/ Anthony Mugno

Name: Anthony Mugno
Title: Director

Lending Office:

622 Third Avenue
29th Floor
New York, New York 10017
Attention: Real Estate Lending

[ADD OTHER LENDERS NAMES AND APPLICABLE
LENDING OFFICES]

LENDERS' RATABLE SHARE

LENDER'S NAME -----	RATABLE LOAN AMOUNT -----	PERCENTAGE/RATABLE SHARE -----
Bayerische Hypo- und Vereinsbank, AG, New York Branch	\$215,316,818	100%

THE LAND

RESIDENTIAL PARCEL

ALL THAT CERTAIN volume of space, situate, lying and being in the Borough of Manhattan, County, City and State of New York, bounded and described as follows:

All that portion of the below described parcel lying between a lower horizontal plane drawn at elevation 512 feet 2 inches above the datum level used by the Topographical Bureau, Borough of Manhattan, which is 2 feet 9 inches above National Geodetic Survey Vertical Datum of 1929, mean sea level Sandy Hook, New Jersey and an upper horizontal plane drawn at 809 feet 2 inches above such datum level bounded and described as follows:

BEGINNING at a point distant 48 feet 8 inches north of the northerly line of East 58th Street and 30 feet 9 inches east of easterly line of Lexington Avenue;

RUNNING THENCE northerly, parallel with the easterly line of Lexington Avenue, 12 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 5 feet 10 inches;

THENCE northerly, parallel with the easterly line of Lexington Avenue, 78 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 5 feet 10 inches;

THENCE northerly, parallel with the easterly line of Lexington Avenue, 12 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 103 feet 6 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 35 feet 0 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 88 feet 6 inches;

THENCE, westerly, parallel with the northerly line of East 58th Street, 35 feet 0 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 103 feet 6 inches to the point or place of BEGINNING.

COMMERCIAL PARCEL

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, County of New York, City and State of New York, being more particularly bounded and described as follows:

BEGINNING at the corner formed by the intersection of the northerly line of East 58th Street with the easterly side of Lexington Avenue;

RUNNING THENCE northerly, along the easterly line of Lexington Avenue 200 feet 10 inches to the corner formed by the intersection of the southerly line of East 59th Street with the easterly line of Lexington Avenue;

THENCE easterly, along the southerly line of East 59th Street, 420 feet 0 inches to the corner formed by the intersection of the southerly line of East 59th Street with the westerly line of Third Avenue;

THENCE southerly, along the westerly line of Third Avenue, 200 feet 10 inches to the corner formed by the intersection of the northerly line of East 58th Street with the westerly line of Third Avenue;

THENCE westerly, along the northerly line of East 58th Street, 420 feet to the point or place of BEGINNING.

LESS AND EXCEPT:

All that portion of the below described parcel lying between a lower horizontal plane drawn at elevation 512 feet 2 inches above the datum level used by the Topographical Bureau, Borough of Manhattan, which is 2 feet 9 inches above National Geodetic Survey Vertical Datum of 1929, mean sea level Sandy Hook, New Jersey and an upper horizontal plane drawn at 809 feet 2 inches above such datum level bounded and described as follows:

BEGINNING at a point distant 48 feet 8 inches north of the northerly line of East 58th Street and 30 feet 9 inches east of easterly line of Lexington Avenue;

RUNNING THENCE northerly, parallel with the easterly line of Lexington Avenue, 12 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 5 feet 10 inches;

THENCE northerly, parallel with the easterly line of Lexington Avenue, 78 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 5 feet 10 inches;

THENCE northerly, parallel with the easterly line of Lexington Avenue, 12 feet 6 inches

THENCE easterly, parallel with the northerly line of East 58th Street, 103 feet 6 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 35 feet 0 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 88 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 35 feet 0 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 103 feet 6 inches to the point or place of BEGINNING.

=====

731 Commercial LLC and 731 RESIDENTIAL LLC, each a Delaware limited
liability company, together as mortgagor
(Mortgagor)

to

BAYERISCHE HYPO- UND VEREINSBANK,
AG, NEW YORK BRANCH, as Agent, as mortgagee
(Mortgagee)

CONSOLIDATED, AMENDED AND RESTATED
BUILDING LOAN MORTGAGE, ASSIGNMENT OF LEASES AND RENTS AND
SECURITY AGREEMENT (SERIES NO. 1)

Dated: As of July 3, 2002

Location: 731 Lexington Avenue
New York, New York

County: New York County

PREPARED BY AND UPON
RECORDATION RETURN TO:

Cadwalader, Wickersham & Taft
100 Maiden Lane
New York, New York 10038
Attention: John M. Zizzo

=====

TABLE OF CONTENTS

	Page

Article 1 - GRANTS OF SECURITY	
Section 1.1	Property Mortgaged..... 2
Section 1.2	Assignment of Rents..... 6
Section 1.3	Security Agreement..... 6
Section 1.4	Fixture Filing..... 7
Section 1.5	Pledges of Monies Held..... 7
Article 2 - DEBT AND OBLIGATIONS SECURED	
Section 2.1	Debt..... 8
Section 2.2	Other Obligations..... 8
Section 2.3	Debt and Other Obligations..... 8
Article 3 - MORTGAGOR COVENANTS	
Section 3.1	Payment of Debt..... 8
Section 3.2	Incorporation by Reference..... 8
Section 3.3	Insurance..... 8
Section 3.4	Maintenance of Property..... 8
Section 3.5	Waste..... 9
Section 3.6	Payment for Labor and Materials..... 9
Section 3.7	Performance of Other Agreements..... 9
Section 3.8	Change of Name, Identity or Structure..... 10
Article 4 - OBLIGATIONS AND RELIANCES	
Section 4.1	Relationship of Mortgagor and Mortgagee..... 10
Section 4.2	No Reliance on Mortgagee..... 10
Section 4.3	No Mortgage Obligations..... 10
Section 4.4	Reliance..... 11
Article 5 - FURTHER ASSURANCES	
Section 5.1	Recording of Security Instrument, etc..... 11
Section 5.2	Further Acts, etc..... 11
Section 5.3	Changes in Tax, Debt, Credit and Documentary Stamp Laws.. 12
Section 5.4	Splitting of Mortgage..... 12
Section 5.5	Replacement Documents..... 13

Article 6 - DUE ON SALE/ENCUMBRANCE

Section 6.1	Mortgagee Reliance.....	13
Section 6.2	No Transfer.....	13
Section 6.3	Transfer Defined.....	13
Section 6.4	Mortgagee's Rights.....	13

Article 7 - RIGHTS AND REMEDIES UPON DEFAULT

Section 7.1	Remedies.....	14
Section 7.2	Application of Proceeds.....	16
Section 7.3	Right to Cure Defaults.....	17
Section 7.4	Actions and Proceedings.....	17
Section 7.5	Recovery of Sums Required to Be Paid.....	17
Section 7.6	Examination of Books and Records.....	17
Section 7.7	Other Rights, Etc.....	17
Section 7.8	Right to Release Any Portion of the Property.....	18
Section 7.9	Intentionally Omitted.....	18
Section 7.10	Recourse and Choice of Remedies.....	18
Section 7.11	Right of Entry.....	19

Article 8 - RESERVED

Article 9 - INDEMNIFICATION

Section 9.1	General Indemnification.....	19
Section 9.2	Mortgage and/or Intangible Tax.....	20
Section 9.3	ERISA Indemnification.....	20
Section 9.4	Duty to Defend; Attorneys' Fees and Other Fees and Expenses.....	21

Article 10 - WAIVERS

Section 10.1	Waiver of Counterclaim.....	22
Section 10.2	Marshalling and Other Matters.....	22
Section 10.3	Waiver of Notice.....	22
Section 10.4	Waiver of Statute of Limitations.....	22
Section 10.5	Survival.....	22
Section 10.6	Insurance, Casualty and Condemnation.....	23

Article 11 - INTENTIONALLY OMITTED

Article 12 - NOTICES

Article 13 - APPLICABLE LAW

Section 13.1	GOVERNING LAW.....	23
Section 13.2	Usury Laws.....	25
Section 13.3	Provisions Subject to Applicable Law.....	25

Article 14 - DEFINITIONS

Article 15 - MISCELLANEOUS PROVISIONS

Section 15.1	No Oral Change.....	26
Section 15.2	Successors and Assigns.....	26
Section 15.3	Inapplicable Provisions.....	26
Section 15.4	Headings, etc.....	26
Section 15.5	Number and Gender.....	26
Section 15.6	Subrogation.....	26
Section 15.7	Entire Agreement.....	27
Section 15.8	Limitation on Mortgagee's Responsibility.....	27
Section 15.9	Building Loan Agreement.....	27
Section 15.10	Limitation on Liability.....	27

Article 16 - STATE-SPECIFIC PROVISIONS

Section 16.1	Principles of Construction.....	27
Section 16.2	Commercial Property.....	27
Section 16.3	Maximum Debt Secured.....	28
Section 16.4	Insurance Proceeds.....	28
Section 16.5	Trust Fund.....	28
Section 16.6	Section 291f Agreement.....	28
Section 16.7	Power of Sale.....	29

EXHIBIT A - LEGAL DESCRIPTION

CONSOLIDATED, AMENDED AND RESTATED
BUILDING LOAN MORTGAGE, ASSIGNMENT OF LEASES AND RENTS AND
SECURITY AGREEMENT (SERIES NO. 1)

THIS CONSOLIDATED, AMENDED AND RESTATED BUILDING LOAN MORTGAGE, ASSIGNMENT OF LEASES AND RENTS AND SECURITY AGREEMENT (SERIES NO. 1) (this "SECURITY INSTRUMENT") is made as of this 3rd day of July, 2002, by 731 COMMERCIAL LLC and 731 RESIDENTIAL LLC, each a Delaware limited liability company, and each having its principal place of business at c/o Alexander's, Inc., 888 Seventh Avenue, New York, New York 10019, together as mortgagor (together, "MORTGAGOR") for the benefit of Bayerische Hypo- Und Vereinsbank, AG, New York Branch ("HVB"), a bank organized under the laws of the Federal Republic of Germany, having an address at 150 East 42nd Street, New York, New York 10017, as agent ("AGENT") for itself and other co-lenders that may exist from time to time (together with HVB, collectively "LENDER"), as mortgagee ("MORTGAGEE").

This Security Instrument consolidates, amends and restates in their entirety the mortgages described on the Schedule of Mortgages attached hereto and made a part hereof which are each now held by Agent (the "PRIOR Mortgages"), to form a single lien in the consolidated principal sum of \$55,500,000.00.

W I T N E S S E T H:

WHEREAS, this Security Instrument is given to secure a building loan (the "BUILDING LOAN") in the principal sum of FIFTY FIVE MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$55,500,000.00) as is stated in that certain Building Loan 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 "BUILDING LOAN AGREEMENT") and evidenced by those certain Consolidated, Amended and Restated Building Loan Notes in the aggregate principal amount of the Building Loan, dated the date hereof, made by Mortgagor to each Lender according to their respective Ratable Shares (such Building Loan Notes, together with all extensions, renewals, replacements, restatements or modifications thereof being hereinafter collectively referred to as the "BUILDING LOAN NOTE");

WHEREAS, Mortgagor desires to secure the payment of the Debt and the performance of all of its obligations under the Building Loan Note, the Building Loan Agreement and the other Building Loan Documents; and

WHEREAS, this Security Instrument is given pursuant to the Building Loan Agreement, and payment, fulfillment, and performance by Mortgagor of its obligations thereunder and under the other Building Loan Documents are secured hereby, and each and every term and provision of the Building Loan Agreement and the Building Loan 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 Security Instrument (the Building Loan Agreement, the Building Loan Note, this Security Instrument, that certain Assignment of Leases and Rents (Building Loan) of even date herewith made by Mortgagor in favor of Mortgagee (the

"ASSIGNMENT OF LEASES") and all other documents evidencing or securing the Debt or delivered in connection with the making of and pertaining to the Building Loan are hereinafter referred to collectively as the "BUILDING LOAN DOCUMENTS").

NOW THEREFORE, in consideration of the making of the Building Loan by Lenders and the covenants, agreements, representations and warranties set forth in this Security Instrument:

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 the following property, rights, interests and estates, whether 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 which may, from time to time, by supplemental mortgage or otherwise be expressly made subject to the lien of this Security Instrument;

(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;

(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 any of the Property is located (the "UNIFORM COMMERCIAL Code"), superior in lien to the lien of this Security Instrument 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 by Mortgagor or Mortgagor's predecessors in interest, whether before or after the filing by or against Mortgagor of any petition for relief under 11 U.S.C. Section 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 lessees 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 of the Debt;

(i) Condemnation Awards. 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. All proceeds in respect of the Property under any insurance policies owned by Mortgagor covering the Property, including, without limitation, the right to receive and apply the proceeds of any such insurance, judgments, or settlements made in lieu thereof, for damage to the Property;

(k) Tax Certiorari. All refunds, rebates or credits in connection with reduction in real estate taxes and assessments charged against the Property as a result of tax certiorari or any applications or proceedings for reduction;

(l) Rights. 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. All agreements, contracts, certificates, instruments, franchises, permits, licenses, plans, specifications and other documents, now or hereafter entered into by Mortgagor or Mortgagor's predecessors in interest, and all rights therein and thereto now owned or hereafter acquired by Mortgagor, 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. All tradenames, trademarks, servicemarks, logos, copyrights, goodwill, books and records and all other general intangibles that are now owned or hereafter acquired by Mortgagor and relating to or used in connection with the operation of the Property;

(o) Proceeds. All proceeds of any of the foregoing, including, without limitation, proceeds of insurance and condemnation awards, whether cash, liquidation or other claims or otherwise;

(p) Transferable Development Rights. All right, title and interest of Mortgagor in and to (i) that certain original Certificate of Eligibility for Zoning Bonus, dated June 26, 2002 issued by the City of New York Department of Housing Preservation and Development under Docket Number LIH #66, in favor of 731 Residential LLC, evidencing a zoning bonus of 78,024 square feet (site of affordable units: 351-353 East 61st Street, New York, New York), (ii) that certain original Certificate of Eligibility for Zoning Bonus, dated June 26, 2002 issued by the City of

New York Department of Housing Preservation and Development under Docket Number LIH #66, in favor of 731 Residential LLC, evidencing a zoning bonus of 3,064 square feet, which is in addition to and not in lieu of any portion of the 78,024 square foot zoning bonus referred to in subsection (i) of this Section 1.1(p) (site of affordable units: 351-353 East 61st Street, New York, New York), (iii) that certain original Certificate of Eligibility for Zoning Bonus, dated June 26, 2002 issued by the City of New York Department of Housing Preservation and Development under Docket Number LIH #66, in favor of 731 Residential LLC, evidencing a zoning bonus of 16,284 square feet, which is in addition to and not in lieu of any portion of the 78,024 square foot zoning bonus referred to in subsection (i) of this Section 1.1(p) and/or the 3,064 square foot zoning bonus referred to in subsection (ii) of this Section 1.1(p) (site of affordable units: 351-353 East 61st Street, New York, New York), (iv) that certain original Certificate of Eligibility for Zoning Bonus, dated June 26, 2002 issued by the City of New York Department of Housing Preservation and Development under Docket Number LIH #77, in favor of 731 Residential LLC, evidencing a zoning bonus of 42,507 square feet (site of affordable units: 346-348 East 21st Street, New York, New York) and (v) any further certificates of eligibility for zoning bonus that may be issued at any time during the term of the Loan by the City of New York Department of Housing Preservation and Development in favor of 731 Commercial LLC or 731 Residential LLC, provided that Mortgagor shall have the right to sell a portion of the aforementioned Certificates of Eligibility for Zoning Bonus to the extent (and after) it acquires any "Certificates of Eligibility for Zoning Bonus" in excess of the total "Bonus Area" required for the Improvements;

(q) Contracts to Acquire Transferable Development Rights. All right, title and interest of Mortgagor in and to any contracts entered into by 731 Commercial LLC or 731 Residential LLC at any time during the term of the Loan to acquire any certificates of eligibility for zoning bonus issued by the City of New York Department of Housing Preservation and Development;

(r) Rights to Acquire Transferable Development Rights. All right, title and interest of Mortgagor in and to any rights of 731 Commercial LLC or 731 Residential LLC to acquire any certificates of eligibility for zoning bonus issued by the City of New York Department of Housing Preservation and Development which may arise out of or be related in any way to the right, title and interest of Mortgagor in the collateral described in Section 1.1(p) and (q) above;

(s) 421-a Negotiable Certificates. All right, title and interest of Mortgagor in and to that certain Negotiable Certificate of Eligibility (the "421-A NEGOTIABLE CERTIFICATES"), issued June 26, 2002 by the City of New York Department of Housing Preservation and Development under Docket Number LIH #72, with Gerard Court Associates, LLC, as "Developer", and 731 Residential LLC, as "Benefit Transferor", providing for 290 market rate units (having an average size of 1200 square feet) to be eligible for 421-a Tax Benefits (site of affordable units: Gerard Court Project - 1070 & 1080 River Avenue; 1075 Gerard Avenue, The Bronx), provided that Mortgagor shall have the right to sell a portion of the 421-a Negotiable Certificates which exceeds the number of 421-a Negotiable Certificates that Mortgagor needs in order to maintain a partial exemption of the entire residential portion of the Improvements from New York real estate taxes for a ten (10) year period commencing after the completion of the Improvements;

(t) Option Agreement. Any option rights granted to an optionee pursuant to that certain Option Agreement dated as of August 1, 2001 by and between 59th Street Corporation, as optionor, and Seven Thirty One Limited Partnership, as optionee;

(u) Inclusionary Air Rights Purchase Agreement. All right, title and interest of Mortgagor in and to that certain Inclusionary Air Rights Purchase Agreement (the "AIR RIGHTS PURCHASE AGREEMENT"), dated as of June 10, 2002, between 175 Lexington LLC, as seller, and 59th Street Corporation, as purchaser, as transferred by 59th Street Corporation to 731 Residential LLC, providing for the purchase of a total of 31,885 square feet of "Floor Area Development Rights", subject to the terms and conditions of said Air Rights Purchase Agreement; and

(v) Other Rights. Any and all other rights of Mortgagor in and to the items set forth in Subsections (a) through (u) above.

AND without limiting any of the other provisions of this Security Instrument, 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 Security Instrument be deemed conclusively to be real estate and mortgaged hereby.

Notwithstanding the foregoing, if the Property is converted to the condominium form of ownership at any time during the term of the Loan and any Residential Unit is released from the lien of this Security Instrument in accordance with the Building Loan Agreement, the definition of "PROPERTY" shall be deemed to exclude any such Residential Unit described in and released pursuant to any such recorded partial release of mortgage.

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(h) of this Security Instrument, 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 Debt, for use in the payment of such sums.

SECTION 1.3 SECURITY AGREEMENT. This Security Instrument 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 Security Instrument, 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 Mortgagor 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 Debt 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 Security Instrument, and this Security Instrument, 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 Building Loan, including, without limitation, any Net Proceeds, as additional security for the Obligations until expended or applied as provided in this Security Instrument.

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 Debt at the time and in the manner provided in the Building Loan Note, the Building Loan Agreement and this Security Instrument, shall well and truly perform the Other Obligations as set forth in this Security Instrument and shall well and truly abide by and comply with each and every covenant and condition set forth herein and in the Building Loan Note, the Building Loan Agreement and the other Building Loan Documents, 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 shall survive any such payment or release.

Article 2 - DEBT AND OBLIGATIONS SECURED

SECTION 2.1 DEBT. This Security Instrument and the grants, assignments and transfers made in Article 1 are given for the purpose of securing the Debt.

SECTION 2.2 OTHER OBLIGATIONS. This Security Instrument and the grants, assignments and transfers made in Article 1 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 Building Loan Agreement and any other Building 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 Building Loan Note, the Building Loan Agreement or any other Building Loan Document.

SECTION 2.3 DEBT AND OTHER OBLIGATIONS. Mortgagor's obligations for the payment of the Debt 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 DEBT. Mortgagor will pay the Debt at the time and in the manner provided in the Building Loan Agreement, the Building Loan Note and this Security Instrument.

SECTION 3.2 INCORPORATION BY REFERENCE. All the covenants, conditions and agreements contained in (a) the Building Loan Agreement, (b) the Building Loan Note and (c) all and any of the other Building Loan Documents, are hereby made a part of this Security Instrument 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 Building Loan Agreement.

SECTION 3.4 MAINTENANCE OF PROPERTY. Mortgagor shall cause the Property to be maintained in a good and safe condition and repair. Subject to the terms of the Building Loan Agreement, the Improvements, the Fixtures, the Equipment and the Personal Property shall not be removed, demolished or materially altered (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. Subject to the terms of the Building Loan Agreement, 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 Condemnation, and shall complete and pay for any structure at any time in the process of construction or repair on the Land.

SECTION 3.5 WASTE. Mortgagor shall not commit or suffer any waste of the Property or make any change in the use of the Property which will in any way materially increase the risk of fire or other hazard arising out of the operation of the Property, or take any action that might invalidate or allow the cancellation of any Policy, or do or permit to be done thereon anything that may in any way materially impair the value of the Property or the security of this Security Instrument. 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, provided that the foregoing prohibition shall not prevent Mortgagor from excavating the Property for the express purpose of constructing the Improvements thereon.

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 other than any Permitted Encumbrance, 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.

(a) After prior written notice to Mortgagee, 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, provided that (i) no Event of Default has occurred and is continuing under the Building Loan Agreement, the Building Loan Note, this Security Instrument or any of the other Building Loan Documents, (ii) Mortgagor is permitted to do so under the provisions of any other mortgage, deed of trust or deed to secure debt affecting the Property, (iii) such proceeding shall suspend the collection of the Labor and Material Costs from Mortgagor and from the Property or Mortgagor shall have paid all of the Labor and Material Costs under protest, (iv) such proceeding shall be permitted under and be conducted in accordance with the provisions of any other instrument to which Mortgagor is subject and shall not constitute a default thereunder, (v) neither the Property nor any part thereof or interest therein will be in danger of being sold, forfeited, terminated, canceled or lost, and (vi) Mortgagor shall have furnished the security as may be required in the proceeding, or as may be reasonably requested by Mortgagee to insure the payment of any contested Labor and Material Costs, together with all interest and penalties thereon.

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 Building Loan Agreement, any other Building Loan Document and any other

agreement or recorded instrument affecting or pertaining to the Property and any amendments, modifications or changes thereto in the time, manner and as otherwise required under such Building Loan Document, agreement or recorded instrument.

SECTION 3.8 CHANGE OF NAME, IDENTITY OR STRUCTURE. Mortgagor shall not change Mortgagor's name, identity (including its trade name or names) or, if not an individual, Mortgagor's corporate, partnership or other structure except as expressly permitted under the Building Loan Agreement 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 reasonably 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 other than as expressly permitted under the Building Loan Agreement, without first obtaining the prior written consent of Mortgagee. 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 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 reasonably 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 reasonably 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, on the one hand, and Mortgagee and/or Lender, on the other, 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 Building Loan Agreement, the Building Loan Note, this Security Instrument and the other Building Loan Documents shall be construed so as to deem the relationship between Mortgagor, on the one hand, and Mortgagee and/or Lender, on the other, to be other than that of debtor and creditor.

SECTION 4.2 NO RELIANCE ON MORTGAGEE. The principals of the members 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 or any Lender'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) and (m) or Section 1.2, Mortgagee is not undertaking the performance of (i) any obligations under the Leases; or (ii) any obligations with respect to such agreements, contracts, certificates, instruments, franchises, permits, trademarks, licenses and other documents.

(b) By accepting or approving anything required to be observed, performed or fulfilled or to be given to Mortgagee or Lender pursuant to this Security Instrument, the Building Loan Agreement, the Building Loan Note or the other Building 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, neither Mortgagee nor Lender shall 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 or Lender.

SECTION 4.4 RELIANCE. Mortgagor recognizes and acknowledges that in accepting the Building Loan Agreement, the Building Loan Note, this Security Instrument and the other Building Loan Documents, Mortgagee and Lender are expressly and primarily relying on the truth and accuracy of the warranties and representations set forth in Section 3.1 of the Building 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 and Lender prior to the date hereof, that the warranties and representations are a material inducement to Agent and Lender in entering into the Building Loan Agreement and to Lender in making the Building Loan; and that Mortgagee would not be willing to make the Building Loan and accept this Security Instrument in the absence of the warranties and representations as set forth in Section 3.1 of the Building Loan Agreement.

Article 5 - FURTHER ASSURANCES

SECTION 5.1 RECORDING OF SECURITY INSTRUMENT, ETC. Mortgagor forthwith upon the execution and delivery of this Security Instrument and thereafter, from time to time, will cause this Security Instrument and any of the other Building 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 expenses incident to the preparation, execution, acknowledgment and/or recording of the Building Loan Note, this Security Instrument, the other Building Loan Documents, any Building Loan Note, deed of trust or mortgage supplemental hereto, any security instrument with respect to the Property and any instrument of further assurance, and any modification or amendment 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 Security Instrument, any deed of trust or mortgage supplemental hereto, any security instrument with respect to the Property or any instrument of further assurance, and any modification or amendment of the foregoing documents, except where prohibited by law so to do.

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 Security Instrument or for filing, registering or recording this Security Instrument, or for complying with all Legal Requirements. 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 also ratifies its authorization for Mortgagee to have filed any like initial financing statements, amendments thereto and continuation statements, if filed prior to the date of this Security Instrument. 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. To the extent not prohibited by applicable law, Mortgagor hereby ratifies all acts Mortgagee has lawfully done in the past or shall lawfully do or cause to be done in the future by virtue of such power of attorney.

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 Security Instrument which deducts the Debt from the value of the Property for the purpose of taxation or which imposes a tax, either directly or indirectly, on the Debt or Mortgagee's interest in the Property, Mortgagor will pay the tax, with interest and penalties thereon, if any.

(a) Mortgagor will not claim or demand or be entitled to any credit or credits on account of the Debt for any part of the Taxes 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 Security Instrument or the Debt. 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 twenty (120) days, to declare the Debt immediately due and payable.

(b) 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 Building Loan Note, this Security Instrument, or any of the other Building Loan Documents or impose any other tax or charge on the same, Mortgagor will pay for the same, with interest and penalties thereon, if any.

SECTION 5.4 SPLITTING OF MORTGAGE. This Security Instrument and the Building Loan Note shall, at any time until the same shall be fully paid and satisfied, at the sole election of Mortgagee at any time after the occurrence of an Event of Default, be split or divided into two or more Building Loan Notes and two 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, shall execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered by the then owner of the Property, to Mortgagee and/or its designee or designees substitute Building Loan Notes and security instruments in such principal amounts,

aggregating not more than the then unpaid principal amount of the Building Loan Note, and containing terms, provisions and clauses similar to those contained herein and in the Building Loan Note, and such other documents and instruments as may be required by Mortgagee.

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 Building Loan Note or any other Building Loan Document which is not of public record, and, in the case of any such mutilation, upon surrender and cancellation of such Building Loan Note or other Building Loan Document, Mortgagor will issue, in lieu thereof, a replacement Building Loan Note or other Building Loan Document, dated the date of such lost, stolen, destroyed or mutilated Building Loan Note or other Building 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 and Lender have examined and relied on the experience of Mortgagor and its general partners, members, principals and (if Mortgagor is a trust) beneficial owners in owning and operating properties such as the Property in agreeing to make the Building 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 Debt and the performance of the Other Obligations. Mortgagor acknowledges that Mortgagee and Lender have a valid interest in maintaining the value of the Property so as to ensure that, should Mortgagor default in the repayment of the Debt or the performance of the Other Obligations, Mortgagee can recover the Debt by a sale of the Property.

SECTION 6.2 NO TRANSFER. Mortgagor shall not permit or suffer any Transfer to occur, unless permitted by the Building Loan Agreement or unless Mortgagee shall consent thereto in writing.

SECTION 6.3 TRANSFER DEFINED. As used in this Article 6 "TRANSFER" shall mean any voluntary or involuntary sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, or transfer of: (a) all or any part of the Property or any estate or interest therein including, but not be limited to, (i) an installment sales agreement wherein Mortgagor agrees to sell the Property or any part thereof for a price to be paid in installments, (ii) an agreement by Mortgagor leasing all or a substantial part of the Property for other than actual occupancy by a space tenant thereunder and its affiliates or (iii) a sale, assignment or other transfer of, or the grant of a security interest in, Mortgagor's right, title and interest in and to any Leases or any Rents; (b) any ownership interest in (i) Mortgagor or (ii) any indemnitor or guarantor of any Obligations or (iii) any corporation, partnership, limited liability company, trust or other entity owning, directly or indirectly, any interest in Mortgagor or any indemnitor or guarantor of any Obligations; or (c) the control of, or the right or power to control, the day-to-day management and operations of the Property.

SECTION 6.4 MORTGAGEE'S RIGHTS. Without obligating Mortgagee to grant any consent under Section 6.2 hereof which Mortgagee may grant or withhold in its sole discretion, Mortgagee reserves the right to condition the consent required hereunder upon (a) a modification of the terms hereof and of the Building Loan Agreement, the Building Loan Note or the other Building Loan Documents; (b) an assumption of the Building Loan Agreement, the Building

Loan Note, this Security Instrument and the other Building Loan Documents as so modified by the proposed transferee; (c) payment of all of Mortgagee's expenses incurred in connection with such transfer; (d) the delivery of a nonconsolidation opinion reflecting the proposed transfer satisfactory in form and substance to Mortgagee; (e) if the ownership interests proposed to be transferred relate to any entity to which Section 3.1.24 of the Building Loan Agreement is applicable, the proposed transferee's continued compliance with the representations and covenants set forth in Section 3.1.24 of the Building Loan Agreement and, with respect to any proposed transfer, the proposed transferee's continued compliance with the representations and covenants set forth in Section 4.2.11 of the Building Loan Agreement; (f) the delivery of evidence satisfactory to Mortgagee that the single purpose nature and bankruptcy remoteness of Mortgagor, its shareholders, partners or members, as the case may be, following such transfers are in accordance with the standards of Mortgagee; (g) the proposed transferee's ability to satisfy Mortgagee's then-current underwriting standards; or (h) such other conditions as Mortgagee shall determine in its reasonable discretion to be in the interest of Mortgagee, including, without limitation, the creditworthiness, reputation and qualifications of the transferee with respect to the Building Loan and the Property. 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 Debt immediately due and payable upon a Transfer without Mortgagee's consent. This provision shall apply to every Transfer, other than any Transfer permitted pursuant to the Building 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 Debt to be immediately due and payable;

(b) institute proceedings, judicial or otherwise, for the complete foreclosure of this Security Instrument 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, in each case as determined by Mortgagee. Mortgagor recognizes and agrees that the parcels making up the Land are integrated one with the other and it is intended that they be developed with one building as one integrated project and Mortgagee is making the loan secured hereby on that basis; for this reason, Mortgagee shall have the right to have a sale as one parcel and Mortgagor agrees to same and waives all rights to object to same and all rights to the marshalling of assets and collateral for the loan secured hereby;

(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 Security Instrument for the portion of the Debt then due and payable, subject to the continuing lien and

security interest of this Security Instrument for the balance of the Debt 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;

(e) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein, in the Building Loan Note, the Building Loan Agreement or in the other Building Loan Documents;

(f) recover judgment on the Building Loan Note either before, during or after any proceedings for the enforcement of this Security Instrument or the other Building Loan Documents;

(g) apply for the appointment of a receiver, trustee, liquidator or conservator of the Property, without notice and without regard for the adequacy of the security for the Debt and without regard for the solvency of Mortgagor, any guarantor, indemnitor with respect to the Building Loan or of any Person liable for the payment of the Debt;

(h) 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, 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 of the Debt, in such order, priority and proportions as Mortgagee shall deem appropriate in its sole discretion after deducting therefrom all expenses (including reasonable attorneys' fees) incurred in connection with the aforesaid operations and all amounts necessary to pay the Taxes, 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;

(i) 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 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 five (5) days prior to such action, shall constitute commercially reasonable notice to Mortgagor;

(j) apply any sums then deposited or held in escrow or otherwise by or on behalf of Mortgagee in accordance with the terms of the Building Loan Agreement, this Security Instrument or any other Building Loan Document to the payment of the following items in any order in its uncontrolled discretion:

(i) Taxes and Other Charges;

(ii) Insurance Premiums;

(iii) Interest on the unpaid principal balance of the Building Loan Building Loan Note;

(iv) Amortization of the unpaid principal balance of the Building Loan Building Loan Note;

(v) All other sums payable pursuant to the Building Loan Note, the Building Loan Agreement, this Security Instrument and the other Building Loan Documents, including without limitation advances made by Mortgagee pursuant to the terms of this Security Instrument;

(k) pursue such other remedies as Mortgagee and/or Lender may have under applicable law; or

(l) apply the undisbursed balance of any Net Proceeds Deficiency deposit, together with interest thereon, to the payment of the Debt 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 Property, this Security Instrument 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 Building Loan Note, this Security Instrument or the other Building Loan Documents, may be applied by Mortgagee to the payment of the Debt 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 herein provided, 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 Security Instrument or collect the Debt, and the 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 Debt and shall be due and payable to Mortgagee upon demand. All such 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 after notice from Mortgagee that such cost or expense was incurred to the date of payment to Mortgagee. All such costs and expenses incurred by Mortgagee together with interest thereon calculated at the Default Rate shall be deemed to constitute a portion of the Debt and be secured by this Security Instrument and the other Building 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 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 Debt as the same become due, without regard to whether or not the balance of the Debt shall be due, and without prejudice to the right of Mortgagee thereafter to bring an action of foreclosure, or any other action, for a Default or Defaults by Mortgagor existing at the time such earlier action was commenced (provided that prior to the commencement of such subsequent action, the same shall have become an Event of Default).

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. This Section 7.6 shall apply throughout the term of the Building Loan Note and without regard to whether an Event of Default has occurred or is continuing.

SECTION 7.7 OTHER RIGHTS, ETC. (a) The failure of Mortgagee or Lender to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of this Security Instrument. 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 Building Loan to take any action to foreclose this Security Instrument or otherwise enforce any of the provisions hereof or of the Building Loan Note or the other Building Loan Documents, (ii) the release, regardless of consideration, of the whole or any part of the Property, or of any person liable for the Debt 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 Building Loan Note, this Security Instrument or the other Building Loan Documents.

(a) 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 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 Property or collateral not in Mortgagee's possession.

(b) Mortgagee may resort for the payment of the Debt 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 Debt, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of Mortgagee thereafter to foreclose this Security Instrument. The rights of Mortgagee under this Security Instrument 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 Security Instrument, or improving the position of any subordinate lienholder with respect thereto, except to the extent that the obligations hereunder 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 Security Instrument 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 Security Instrument or the Building Loan Agreement, following an Event of Default, 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 Building Loan 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 with respect to the Building Loan. The provisions of Sections 9.2 and 9.3 herein are

exceptions to any non-recourse or exculpation provisions in the Building Loan Agreement, the Building Loan Note, this Security Instrument or the other Building Loan Documents, and Mortgagor with respect to the Building Loan are fully and personally liable for the obligations pursuant to Sections 9.2 and 9.3 herein. The liability of Mortgagor with respect to the Building Loan pursuant to Sections 9.2 and 9.3 herein is not limited to the original principal amount of the Building Loan Note. Notwithstanding the foregoing, nothing herein shall inhibit or prevent Mortgagee from foreclosing or exercising any other rights and remedies pursuant to the Building Loan Agreement, the Building Loan Note, this Security Instrument and the other Building 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.

SECTION 7.11 RIGHT OF ENTRY. Subject to the rights of Tenants under Leases at the Property, upon reasonable notice to Mortgagor, Mortgagee and its agents shall have the right to enter and inspect the Property at all reasonable times.

Article 8 - RESERVED

Article 9 - INDEMNIFICATION

SECTION 9.1.GENERAL 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 claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, costs, expenses, diminutions in value, 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 costs of defense) (collectively, the "LOSSES") imposed upon or incurred by or asserted against any Indemnified Parties (other than for income or franchise taxes of Mortgagee) and directly or indirectly arising out of or in any way relating to any one or more of the following: (a) ownership of this Security Instrument, the Property or any interest therein or receipt of any Rents; (b) any amendment to, or restructuring of, the Debt, and the Building Loan Note, the Building Loan Agreement, this Security Instrument, or any other Building Loan Documents; (c) any and all lawful action that may be taken by Mortgagee in connection with the enforcement of the provisions of this Security Instrument or the Building Loan Agreement or the Building Loan Note or any of the other Building Loan Documents, whether or not suit is filed in connection with same, or in connection with Mortgagor, any guarantor or indemnitor 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 be in compliance with any of the terms of this Security Instrument; (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 Security Instrument, or to supply a copy thereof in a timely fashion to the recipient of the proceeds of the transaction in connection with which this Security Instrument 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 Building Loan; or (m) any misrepresentation made by Mortgagor in this Security Instrument or any other Building Loan Document; provided, however, that Borrower shall not be liable for the payment of any such Losses to any Indemnified Party to the extent such Losses arise by reason of the gross negligence, illegal acts, fraud or willful misconduct of such Indemnified Party. 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 loss or damage is sustained by Mortgagee until paid. For purposes of this Article 9, the term "INDEMNIFIED PARTIES" means Mortgagee, each Lender, each participant in the Loan, any Person who is or will have been involved in the servicing of the Building Loan secured hereby, persons and entities who may hold or acquire or will have held a full or partial interest in the Building 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 Building Loan secured hereby for the benefit of third parties) as well as the respective directors, officers, shareholders, partners, 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 Building Loan, whether during the term of the Building Loan or as a part of or following a foreclosure of the Building 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 Parties' 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 Security Instrument, the Building Loan Note or any of the other Building Loan Documents, but excluding any Excluded Taxes (as defined in the Building Loan Agreement).

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 costs incurred in the investigation, defense, and settlement of Losses incurred in correcting any prohibited

transaction or in the sale of a prohibited Building Loan, and in obtaining any individual prohibited transaction exemption under ERISA that may be required, in Mortgagee's sole discretion) that Mortgagee and/or Lender may incur, directly or indirectly, as a result of a default under Sections 3.1.8 and 4.2.11 of the Building Loan Agreement.

SECTION 9.4.DUTY TO DEFEND; ATTORNEYS' FEES AND OTHER FEES AND Expenses.

In case any claim, action or proceeding (a "CLAIM") is brought against an Indemnified Party in respect of which indemnification may be sought by such Indemnified Party pursuant hereto, Mortgagee shall give prompt written notice thereof to Mortgagor, which notice shall include all documents and information in the possession of or under the control of Mortgagee and such Indemnified Party relating to such Claim and shall specifically state that indemnification for such Claim is being sought under this Article 9; provided, however, that the failure of Mortgagee to so notify Mortgagor shall not limit or affect such Indemnified Party's rights to be indemnified pursuant to this Article 9 except to the extent Mortgagor is materially prejudiced by such failure. Upon receipt of such notice of Claim (together with such documents and information from Mortgagee and such Indemnified Party), Mortgagor shall, at its sole cost and expense, in good faith defend any such Claim with counsel reasonably satisfactory to Mortgagee and such Indemnified Party (it being understood that counsel selected by Mortgagor's insurance carrier shall be deemed to be acceptable to Mortgagee and such Indemnified Party, provided such insurer is an acceptable insurer under the Loan Documents or otherwise was accepted by Mortgagee as an insurer), which counsel may, without limiting the rights of Mortgagee and such Indemnified Party pursuant to the next succeeding sentence of this Section 9.4, also represent Mortgagor in such investigation, action or proceeding. In the alternative, such Indemnified Party may elect to conduct its own defense through counsel of its own choosing and at the reasonable expense of Mortgagor, if (A) such Indemnified Party reasonably determines that the conduct of its defense by Mortgagor could be materially prejudicial to its interests, (B) Mortgagor refuses to defend, or (C) Mortgagor shall have failed, in such Indemnified Party's reasonable judgment, to defend the Claim in good faith (unless such Claim is being defended by Mortgagor's insurance carrier, provided such insurer is an acceptable insurer under the Loan Documents or otherwise was accepted by Mortgagee as an insurer). Mortgagor may settle any Claim against such Indemnified Party without such Indemnified Party's consent, provided (i) such settlement is without any liability, cost or expense whatsoever to such Indemnified Party, (ii) the settlement does not include or require any admission of liability or culpability by such Indemnified Party under any federal, state or local statute or regulation, whether criminal or civil in nature and (iii) Mortgagor obtains an effective written release of liability for such Indemnified Party from the party to the Claim with whom such settlement is being made, which release must be reasonably acceptable to such Indemnified Party, and a dismissal with prejudice with respect to all claims made by the party against such Indemnified Party in connection with such Claim. Mortgagee and such Indemnified Party shall reasonably cooperate with Mortgagor, at Mortgagor's sole cost and expense, in connection with the defense or settlement of any Claim in accordance with the terms hereof. If Mortgagor refuses to defend any Claim or fails to defend such Claim in good faith (other than a Claim that is being defended by Mortgagor's insurance carrier, provided such insurer is an acceptable insurer under the Loan Documents or otherwise was accepted by Mortgagee as an insurer) and such Indemnified Party elects to defend such Claim by counsel of its own choosing Mortgagor shall be responsible for any good faith settlement of such Claim entered into by such Indemnified Party. If such Indemnified Party reasonably determines that the conduct of its defense by Mortgagor could be materially prejudicial to its interests and elects

to defend such Claim by counsel of its own choosing, Mortgagor shall be responsible for any reasonable settlement of such Claim entered into by such Indemnified Party. Except as provided in the preceding two (2) sentences, no Indemnified Party may pay or settle any Claim and seek reimbursement therefor under this Section 9.4. Nothing contained herein shall be construed as requiring Mortgagee or any Indemnified Party to expend funds or incur costs to defend any Claim in connection with the matters for which Mortgagee or any Indemnified Party is entitled to indemnification pursuant to this Article 9. The obligations of Mortgagor hereunder shall specifically include the obligation to expend its own funds, to incur costs in its own name and to perform all actions as may be necessary to protect Mortgagee or any other Indemnified Party from the necessity of expending its own funds, incurring cost or performing any actions in connection with the matters for which Mortgagee or such other Indemnified Party is entitled to indemnification hereunder.

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 Security Instrument, the Building Loan Agreement, the Building Loan Note, any of the other Building 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 Security Instrument 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 Security Instrument and on behalf of all persons to the extent permitted by applicable law.

SECTION 10.3 WAIVER OF NOTICE. To the extent permitted by applicable law, Mortgagor shall not be entitled to any notices of any nature whatsoever from Mortgagee or Lender except with respect to matters for which this Security Instrument specifically and expressly provides for the giving of notice by Mortgagee or Lender to Mortgagor and except with respect to matters for which Mortgagee or Lender 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 Security Instrument 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 Debt or performance of its Other Obligations.

SECTION 10.5 SURVIVAL. The indemnifications made pursuant to Section 9.3 herein and the representations and warranties, covenants, and other obligations arising under the

Environmental Indemnity, shall continue indefinitely in full force and effect and shall survive and shall in no way be impaired by: any satisfaction or other termination of this Security Instrument, any assignment or other transfer of all or any portion of this Security Instrument or Mortgagee's interest in the Property (but, in such case, shall benefit both Indemnified Parties and any 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 Building Loan Agreement, the Building Loan Note or any of the other Building 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 Security Instrument, the Building Loan Agreement, the Building Loan Note or the other Building Loan Documents, and any act or omission that might otherwise be construed as a release or discharge of Mortgagor from the obligations pursuant hereto.

SECTION 10.6 INSURANCE, CASUALTY AND CONDEMNATION. If the Property and the Improvements are at any time during the term of the Loan subject to the condominium form of ownership pursuant to Article 9-B of the New York Real Property Law (as the same may from time to time be amended, supplemented or modified, the "CONDOMINIUM LAW"), then for so long as none of the units created by said condominium form of ownership (the "CONDOMINIUM UNITS") have been sold by Mortgagor and released from the lien of this Security Instrument by Mortgagee, the provisions of the Building Loan Documents pertaining to insurance, Casualty and Condemnation, including, without limitation, Article V of the Building Loan Agreement, shall apply to the entire Property, notwithstanding the submission of the Property and Improvements to the condominium form of ownership pursuant to the Condominium Law. Without limiting the generality of the foregoing, for so long as none of the Condominium Units have been sold by Mortgagor and released from the lien of this Security Instrument by Mortgagee, Mortgagor (a) to the extent permitted by applicable law, irrevocably waives any applicable law (including, without limitation, Section 339-cc of the Condominium Law) which grants to the board of managers and/or the owners of the Condominium Units rights in the event of a casualty which are inconsistent with the provisions of the Loan Documents and (b) expressly agrees to the application of the Net Proceeds and Awards in accordance with the terms and conditions of Article V of the Building Loan Agreement.

Article 11 - INTENTIONALLY OMITTED

Article 12 - NOTICES

All notices or other written communications hereunder shall be delivered in accordance with Section 10.6 of the Building Loan Agreement.

Article 13 - APPLICABLE LAW

Section 13.1 GOVERNING LAW. (A) THIS SECURITY INSTRUMENT 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 BUILDING LOAN 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 SECURITY INSTRUMENT 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 LAWS) AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA, EXCEPT THAT AT ALL TIMES THE PROVISIONS FOR THE CREATION, PERFECTION, AND ENFORCEMENT OF THE LIENS AND SECURITY INTERESTS CREATED PURSUANT HERETO AND PURSUANT TO THE OTHER BUILDING LOAN DOCUMENTS WITH RESPECT TO THE PROPERTY SHALL BE GOVERNED BY AND CONSTRUED ACCORDING TO THE LAW OF THE STATE IN WHICH THE PROPERTY IS LOCATED, IT BEING UNDERSTOOD THAT, TO THE FULLEST EXTENT PERMITTED BY THE LAW OF SUCH STATE, THE LAW OF THE STATE OF NEW YORK SHALL GOVERN THE CONSTRUCTION, VALIDITY AND ENFORCEABILITY OF ALL BUILDING LOAN DOCUMENTS AND ALL OF THE OBLIGATIONS ARISING HEREUNDER OR THEREUNDER. TO THE FULLEST EXTENT PERMITTED BY LAW, MORTGAGOR HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS SECURITY INSTRUMENT OR THE OTHER BUILDING LOAN DOCUMENTS, AND THIS SECURITY INSTRUMENT AND THE OTHER BUILDING LOAN DOCUMENTS 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 SECURITY INSTRUMENT MAY AT MORTGAGEE'S OPTION 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 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

PROSKAUER ROSE LLP
1585 BROADWAY
NEW YORK, NEW YORK 10036
ATTENTION: LAWRENCE J. LIPSON, ESQ.

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.

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 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 lawful maximum, 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, 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 Security Instrument 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 Security Instrument invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law. If any term of this Security Instrument or any application thereof shall be invalid or unenforceable, the remainder of this Security Instrument and any other application of the term shall not be affected thereby.

Article 14 - DEFINITIONS

All capitalized terms not defined herein shall have the respective meanings set forth in the Building Loan Agreement. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Security Instrument may be used interchangeably in singular or plural form and the word "MORTGAGOR" shall mean "each Mortgagor and any subsequent owner or owners of the Property or any part thereof or any interest therein," the word "MORTGAGEE" shall mean "Mortgagee and any successor Agent under

the Building Loan Agreement," the word "LENDER" shall mean each Lender and each and any subsequent holder(s) of the Building Loan Note or any part thereof," the word "BUILDING LOAN NOTE" shall mean "the Building Loan Note and any other evidence of indebtedness secured by this Security Instrument," 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 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 Security Instrument, 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 Security Instrument shall be binding upon and inure to the benefit of Mortgagor and Mortgagee and their respective successors and assigns forever.

SECTION 15.3 INAPPLICABLE PROVISIONS. If any term, covenant or condition of the Building Loan Agreement, the Building Loan Note or this Security Instrument is held to be invalid, illegal or unenforceable in any respect, the Building Loan Agreement, the Building Loan Note and this Security Instrument shall be construed without such provision.

SECTION 15.4 HEADINGS, ETC. The headings and captions of various Sections of this Security Instrument 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 Building Loan Note have been used to purchase, 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 the rights to recover the principal amount of such indebtedness, and to enforce the liens on the Property that secure such indebtedness, that have been heretofore held by, or in favor of, the holder of such indebtedness, and such former rights 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 Debt, the performance and discharge of Mortgagor's obligations hereunder, under the Building Loan Agreement, the Building Loan Note and the other Building Loan Documents and the performance and discharge of the Other Obligations.

SECTION 15.7 ENTIRE AGREEMENT. The Building Loan Note, the Building Loan Agreement, this Security Instrument and the other Building Loan Documents constitute the entire understanding and agreement between Mortgagor, Mortgagee and Lender with respect to the transactions arising in connection with the Debt 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 Building Loan Note, the Building Loan Agreement, this Security Instrument and the other Building 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 Building Loan Note, the Building Loan Agreement, this Security Instrument and the other Building Loan Documents.

SECTION 15.8 LIMITATION ON MORTGAGEE'S RESPONSIBILITY. No provision of this Security Instrument shall operate to place any obligation or liability for the control, care, management or repair of the Property upon Mortgagee or Lender, nor shall it operate to make Mortgagee 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 Mortgagee a "mortgagee in possession."

SECTION 15.9 BUILDING LOAN AGREEMENT. This Security Instrument is made pursuant to a Building Loan Agreement between the Mortgagor, Mortgagee and Lenders bearing even date herewith, intended to be filed in the Office of the Clerk of the County in which the Property is located on or before the date of the recording of this Security Instrument and this Security Instrument is subject to all of the provisions of the Building Loan Agreement including, without limitation, the provisions thereof entitling Mortgagee to declare the entire indebtedness secured hereby to be immediately due and payable following an Event of Default, 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.

SECTION 15.10 LIMITATION ON LIABILITY. Notwithstanding anything to the contrary contained herein, except as provided in any Guaranty or in the Environmental Indemnity, no direct or indirect member of Mortgagor, nor any principal, director, officer or employee of any such member shall have any personal liability under this Security Instrument.

Article 16 - 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 Security Instrument, the terms and conditions of this Article 16 shall control and be binding.

SECTION 16.2 COMMERCIAL PROPERTY. Mortgagor represents that this Security Instrument does not encumber real property principally improved or to be improved by one or more structures containing in the aggregate not more than six residential dwelling units, each having its own separate cooking facilities.

SECTION 16.3 MAXIMUM DEBT SECURED. Notwithstanding anything contained herein to the contrary, the maximum amount of principal indebtedness secured by said mortgage at execution or which under any contingency may become secured hereby at any time hereafter is \$55,500,000.00 plus all amounts expended by Mortgagee, after default by the Mortgagor hereunder, to enforce, defend and/or maintain the lien of said mortgage or to protect the property encumbered by said mortgage, or the value thereof, including, without limitation, all amounts in respect of insurance premiums, legal fees and all real estates taxes, charges or assessments imposed by law upon said premises, or any other amount, cost or charge to which the Lenders may become subrogated upon payment as a result of Mortgagor's failure to pay as required by the terms of said mortgage plus all accrued but unpaid interest on the obligations secured hereby.

SECTION 16.4 INSURANCE PROCEEDS. In the event of any conflict, inconsistency or ambiguity between the provisions of Section 16.3 hereof and 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 Section 16.3 hereof shall control.

SECTION 16.5 TRUST FUND. Pursuant to Section 13 of the lien law of New York, Borrower 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 and shall apply such advances first to the payment of the cost of any such improvement on the Mortgaged Property before using any part of the total of the same for any other purpose.

SECTION 16.6 SECTION 291F AGREEMENT.

(a) Borrower hereby covenants and agrees with the Mortgagee that, except as otherwise set forth in the Building Loan Agreement, without the written consent of the Mortgagee first had and obtained, the Borrower will not accept any surrender, cancellation, abridgment or modification of any of the terms, covenants and conditions of any Major Lease, and will not accept prepayments of installments of rent to become due thereunder for more than one (1) month in advance, except to the extent that such cancellation, abridgment, modification or prepayment is presently expressly permitted to a Tenant under the provisions of its respective Major Lease. For purposes of this Section 16.6, the term "MAJOR LEASE" shall mean (a) with respect to any Lease for office space at the Property, any Lease that (i) covers 25,000 square feet or more at the Property, (ii) is made with a Tenant that is a Tenant under another Lease at the Property or that is an Affiliate of any other Tenant under a Lease at the Property, if the Leases together cover 25,000 square feet or more at the Property or (iii) does not comply with the Leasing Parameters (as defined in the Building Loan Agreement) applicable to office leases, and (b) with respect to any Lease for retail space at the Property, any Lease that (i) covers 15,000 square feet or more at the Property, (ii) is made with a Tenant that is a Tenant under another Lease at the Property or that is an Affiliate of any other Tenant under a Lease at the Property, if the Leases together cover 15,000 square feet or more at the Property or (iii) does not comply with the Leasing Parameters applicable to retail leases.

(b) This Security Instrument 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 shall (unless such notice is contained in such tenant's Lease) deliver notice of this Security Instrument in form and substance acceptable to

Agent, 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. Mortgagor shall request the recipient of any such notice to acknowledge the receipt thereof.

SECTION 16.7 POWER OF SALE. In addition to any other remedies provided to Mortgagee hereunder, pursuant to the Building Loan Agreement or the other Loan Documents, upon the occurrence of an Event of Default, to the extent permitted by applicable law, Agent may sell or offer for sale the Property in such portions, order and parcels as Agent may determine, with or without having first taken possession of same, in accordance with the terms and provisions of Article 14 of the New York Real Property Actions and Proceedings Law.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, THIS SECURITY INSTRUMENT has been executed by
Mortgagor as of the day and year first above written.

731 COMMERCIAL LLC, a Delaware limited
liability company

By: 731 Commercial Holding LLC, member

By: Alexander's Inc., member

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President-
Finance and Administration

731 RESIDENTIAL LLC, a Delaware limited
liability company

By: 731 Commercial Holding LLC, member

By: Alexander's Inc., member

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President-
Finance and Administration

BAYERISCHE HYPO- UND VEREINSBANK, AG NEW
YORK BRANCH, as Agent

By: /s/ Robert Dowling

Name: Robert Dowling
Title: Managing Director

By: /s/ Anthony Mugno

Name: Anthony Mugno
Title: Director

ACKNOWLEDGMENT

STATE OF NEW YORK)
COUNTY OF NEW YORK)

SS.:

On the ___ day of July 2002, before me, the undersigned, personally appeared Joseph Macnow, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person on behalf of which the individual acted, executed the instrument.

Signature & office of individual
taking the acknowledgement

STATE OF NEW YORK)
COUNTY OF NEW YORK)

SS.:

On the ___ day of July 2002, before me, the undersigned, personally appeared Joseph Macnow, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person on behalf of which the individual acted, executed the instrument.

Signature & office of individual
taking the acknowledgement

STATE OF NEW YORK)

SS.:

COUNTY OF NEW YORK)

On the ___ day of July 2002, before me, the undersigned, personally appeared Robert Dowling, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person on behalf of which the individual acted, executed the instrument.

Signature & office of individual
taking the acknowledgement

STATE OF NEW YORK)

SS.:

COUNTY OF NEW YORK)

On the ___ day of July 2002, before me, the undersigned, personally appeared Anthony Mugno, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person on behalf of which the individual acted, executed the instrument.

Signature & office of individual
taking the acknowledgement

EXHIBIT A

LEGAL DESCRIPTION

RESIDENTIAL PARCEL

ALL THAT CERTAIN volume of space, situate, lying and being in the Borough of Manhattan, County, City and State of New York, bounded and described as follows:

All that portion of the below described parcel lying between a lower horizontal plane drawn at elevation 512 feet 2 inches above the datum level used by the Topographical Bureau, Borough of Manhattan, which is 2 feet 9 inches above National Geodetic Survey Vertical Datum of 1929, mean sea level Sandy Hook, New Jersey and an upper horizontal plane drawn at 809 feet 2 inches above such datum level bounded and described as follows:

BEGINNING at a point distant 48 feet 8 inches north of the northerly line of East 58th Street and 30 feet 9 inches east of easterly line of Lexington Avenue;

RUNNING THENCE northerly, parallel with the easterly line of Lexington Avenue, 12 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 5 feet 10 inches;

THENCE northerly, parallel with the easterly line of Lexington Avenue, 78 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 5 feet 10 inches;

THENCE northerly, parallel with the easterly line of Lexington Avenue, 12 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 103 feet 6 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 35 feet 0 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 88 feet 6 inches;

THENCE, westerly, parallel with the northerly line of East 58th Street, 35 feet 0 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 103 feet 6 inches to the point or place of BEGINNING.

COMMERCIAL PARCEL

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, County of New York, City and State of New York, being more particularly bounded and described as follows:

BEGINNING at the corner formed by the intersection of the northerly line of East 58th Street with the easterly side of Lexington Avenue;

RUNNING THENCE northerly, along the easterly line of Lexington Avenue 200 feet 10 inches to the corner formed by the intersection of the southerly line of East 59th Street with the easterly line of Lexington Avenue;

THENCE easterly, along the southerly line of East 59th Street, 420 feet 0 inches to the corner formed by the intersection of the southerly line of East 59th Street with the westerly line of Third Avenue;

THENCE southerly, along the westerly line of Third Avenue, 200 feet 10 inches to the corner formed by the intersection of the northerly line of East 58th Street with the westerly line of Third Avenue;

THENCE westerly, along the northerly line of East 58th Street, 420 feet to the point or place of BEGINNING.

LESS AND EXCEPT:

All that portion of the below described parcel lying between a lower horizontal plane drawn at elevation 512 feet 2 inches above the datum level used by the Topographical Bureau, Borough of Manhattan, which is 2 feet 9 inches above National Geodetic Survey Vertical Datum of 1929, mean sea level Sandy Hook, New Jersey and an upper horizontal plane drawn at 809 feet 2 inches above such datum level bounded and described as follows:

BEGINNING at a point distant 48 feet 8 inches north of the northerly line of East 58th Street and 30 feet 9 inches east of easterly line of Lexington Avenue;

RUNNING THENCE northerly, parallel with the easterly line of Lexington Avenue, 12 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 5 feet 10 inches;

THENCE northerly, parallel with the easterly line of Lexington Avenue, 78 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 5 feet 10 inches;

THENCE northerly, parallel with the easterly line of Lexington Avenue, 12 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 103 feet 6 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 35 feet 0 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 88 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 35 feet 0 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 103 feet 6 inches to the point or place of BEGINNING.

A-3

SCHEDULE OF MORTGAGES

- (1) Mortgage, Assignment of Leases and Security Agreement made by Seven Thirty One Limited Partnership and Alexander's Department Stores of Lexington Avenue, Inc. - to - First Fidelity Bank (NA), in the amount of \$30,000,000.00, dated as of 3/15/95 and recorded on 3/20/95 in Reel 2192 Page 1291, which mortgage was modified by Mortgage Modification and Extension Agreement made between Seven Thirty One Limited Partnership and Alexander's Department Stores of Lexington Avenue, Inc. - and - First Union National Bank (formerly known as Fidelity Bank, N.A.), dated as of 3/15/98 and recorded on 2/16/99 in Reel 2819 Page 1988 and which mortgage was severed and modified by Note and Mortgage Modification and Severance Agreement made between Alexander's of Fordham Road Inc., Alexander's Inc., Alexander's of Third Avenue Inc., Alexander's Rego Park Center, Inc., Alexander's of Rego Park II, Inc., Alexander's of Rego Park III, Inc., Seven Thirty One Limited Partnership, Alexander's Department Stores of Lexington Avenue, Inc., Alexander's of Brooklyn, Inc., Alexander's Department Stores of New Jersey Inc. -and- First Union National Bank, (formerly known as Fidelity Bank, National Association) dated as of 6/18/98 and recorded on 9/10/98 in Reel 2703 Page 1797, which severs the note and mortgage into a mortgage on premises in Kings County in the sum of \$10,000,000 and the remaining note in the sum of \$20,000,000 continues to be secured by mortgage 1, which mortgage was further modified and extended by Mortgage Modification and Extension Agreement between Alexander's of Fordham Road Inc., Alexander's Inc., Alexander's of Third Avenue Inc., Alexander's Rego Park Center, Inc., Alexander's of Rego Park II, Inc., Alexander's of Rego Park III, Inc., Seven Thirty One Limited Partnership, Alexander's Department Stores of Lexington Avenue, Inc., Alexander's of Brooklyn, Inc., Alexander's Department Stores of New Jersey Inc. -and- First Union National Bank, (formerly known as Fidelity Bank, National Association) dated as of 3/29/99, recorded 4/20/99 in Reel 2859 Page 174, which mortgage was further modified by Modification and Extension Agreement made between Alexander's of Fordham Road, Inc., Alexander's Inc., Alexander's of Third Avenue, Inc., Alexander's of Rego Park II, Inc., Alexander's of Rego Park III, Inc., Seven Thirty One Limited Partnership, Alexander's Department Stores of Lexington Avenue, Inc., Alexander's Department Stores of New Jersey, Inc. -and- First Union National Bank formerly known as First Fidelity Bank, National Association, dated as of 4/14/00 and recorded on 4/3/01 in Reel 3265 Page 1882 and which mortgage was further modified and extended by Mortgage Modification and Extension Agreement made between Alexander's Inc., Alexander's of Third Avenue, Inc., Alexander's of Rego Park II, Inc., Alexander's of Rego Park III, Inc., Seven Thirty One Limited Partnership, Alexander's Department Stores of Lexington Avenue, Inc., Alexander's Department Stores of New Jersey, Inc. -and- First Union National Bank formerly known as First Fidelity Bank, National Association, dated as of 4/27/01 and recorded on 5/21/01 in Reel 3291 Page 1269, and which mortgage modified and extended by Mortgage Modification and Extension Agreement made between Alexander's Inc., Alexander's of Third Avenue, Inc., Alexander's of Rego Park II, Inc., Alexander's

of Rego Park III, Inc., Seven Thirty One Limited Partnership, Alexander's Department Stores of Lexington Avenue, Inc., 59th Street Corporation. -and- First Union National Bank formerly known as First Fidelity Bank, National Association, dated as of 3/15/02 and to be recorded in the Office of the Register of the City of New York, County of New York, on June 24, 2002 in Reel 3545 Page 2045 which mortgages covered other properties and which other properties were released from the mortgages by Release dated the 3rd day of July, 2002 and to be recorded in the Office of the Register of the City of New York, County of Kings, Queens and The Bronx, and which mortgage was assigned to the Insured by virtue of an Assignment of mortgage dated the 3rd day of July, 2002 from Wachovia Bank, National Association, f/k/a First Union National Bank, f/k/a First Fidelity Bank, National Association, and to be recorded in the Office of the Register of the City of New York, County of New York.

- (2) Mortgage made by Seven Thirty One Limited Partnership and Alexander's Department Stores of Lexington Avenue, Inc. - to - Vornado Lending Corp., in the amount of \$45,000,000.00, dated as of 3/15/95 and recorded on 3/22/95 in Reel 2193 Page 966 and which mortgage was modified and extended by Mortgage Modification and Extension Agreement made between Seven Thirty One Limited Partnership and Alexander's Department Stores of Lexington Avenue, Inc. - and Vornado Lending LLC, formerly known as Vornado Lending Corp., dated as of 3/15/98 and recorded on 2/16/99 in Reel 2819 Page 1998 and which mortgage was modified and extended by Second Mortgage Modification and Extension Agreement made between Seven Thirty One Limited Partnership and Alexander's Department Stores of Lexington Avenue, Inc. - and - Vornado Lending LLC (formerly known as Vornado Lending Corp.), dated as of 3/29/99 and recorded on 4/20/99 in Reel 2859 Page 251, and which mortgage was further modified and extended by Third Mortgage Modification and Extension Agreement made between Seven Thirty One Limited Partnership, Alexander's Department Stores of Lexington Avenue, Inc. -and- Vornado Lending L.L.C. (formerly known as Vornado Lending Corp.) dated as of 3/15/00 and recorded on 1/11/01 in Reel 3220 Page 2176, which mortgage was assigned to the Insured by virtue of an Assignment of Mortgage dated the 3rd day of July, 2002, from Vornado Lending, L.L.C. f/k/a Vornado Lending Corp. and to be recorded in the Office of the Register of the City of New York, County of New York.
- (3) Gap Mortgage in the sum of \$500,000. dated the 3rd day of July, 2002, by and between 731 Commercial LLC and 731 Residential LLC, as mortgagor and the Insured, as mortgagee and to be recorded in the Office of the Register of the City of New York, County of New York.

CONSOLIDATED, AMENDED AND RESTATED
BUILDING LOAN NOTE

\$55,500,000.00

New York, New York
July 3, 2002

FOR VALUE RECEIVED, 731 COMMERCIAL LLC and 731 RESIDENTIAL LLC, each a Delaware limited liability company, as maker, having its principal place of business at c/o Alexander's, Inc., 888 Seventh Avenue, New York, New York 10019 (together, "Borrower"), hereby unconditionally promises to pay to the order of BAYERISCHE HYPO- UND VEREINSBANK, AG, NEW YORK BRANCH, a German banking corporation organized under the laws of the Federal Republic of Germany, as lender, having an address at 150 East 42nd Street, New York, New York 10017 ("LENDER"), or at such other place as the holder hereof may from time to time designate in writing, the principal sum of FIFTY FIVE MILLION FIVE HUNDRED THOUSAND and NO/100 DOLLARS (\$55,500,000.00), or so much thereof as is advanced, in lawful money of the United States of America, with interest thereon to be computed from the date of this Consolidated, Amended and Restated Building Loan Note (this "NOTE") at the Applicable Interest Rate, and to be paid in accordance with the terms of this Note and that certain Building Loan Agreement dated the date hereof between Borrower, Bayerische Hypo- Und Vereinsbank, AG, New York Branch, as agent ("AGENT") for itself and other co-lenders as may exist from time to time (collectively, the "OTHER LENDERS"), Lender and such Other Lenders (if any) (the "BUILDING LOAN AGREEMENT"). All capitalized terms not defined herein shall have the respective meanings set forth in the Building Loan Agreement.

This Note (sometimes also referred to as the "Building Loan Note"), is intended to consolidate, amend and restate in their entirety those certain promissory notes (collectively, the "Existing Notes") described on Exhibit A attached hereto and made a part hereof, which Existing Notes are now held by Agent and the obligations under which are now the responsibility of Borrower. This Note is not intended to create any new indebtedness nor intended to constitute a novation as to Borrower's obligations under the Existing Notes.

ARTICLE 1 : PAYMENT TERMS

Borrower agrees to pay the principal sum of this Note and interest on the unpaid principal sum of this Note from time to time outstanding at the rates and at the times and in the manner specified in Article II of the Building Loan Agreement, Additional Interest (if any) pursuant to the Building Loan Agreement and the outstanding balance of the principal sum of this Note and all accrued and unpaid interest thereon shall be due and payable on the Maturity Date.

ARTICLE 2 : DEFAULT AND ACCELERATION

The Debt shall without notice become immediately due and payable at the option of Lender as provided in the Building Loan Agreement if any payment required in this Note is not paid on or prior to the date when due or if not paid on the Maturity Date or on the happening of any other Event of Default.

ARTICLE 3 : BUILDING LOAN DOCUMENTS

This Note is secured by the Building Loan Mortgage and the other Building Loan Documents. All of the terms, covenants and conditions contained in the Building Loan Agreement, the Building Loan Mortgage and the other Building 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 Building Loan Agreement, the terms and provisions of the Building Loan Agreement shall govern.

ARTICLE 4 : SAVINGS CLAUSE

Notwithstanding anything to the contrary, (a) all agreements and communications between Borrower and Lender are hereby and shall automatically be limited so that, after taking into account all amounts deemed 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 lawful maximum, all such interest shall be amortized, prorated, allocated and spread over the full amount and term of all principal indebtedness of Borrower to Lender, and (c) if through any contingency or event, Lender receives or is deemed to receive interest in excess of the lawful maximum, any such excess shall be deemed to have been applied toward payment of the principal of any and all then outstanding indebtedness of Borrower to Lender, or if there is no such indebtedness, shall immediately be returned to Borrower.

ARTICLE 5 : NO ORAL CHANGE

This Note may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, 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.

ARTICLE 6 : WAIVERS

Borrower and all others who may become liable for the payment of all or any part of the Debt do hereby severally waive presentment and demand for payment, notice of dishonor, notice of intention to accelerate, notice of acceleration, protest and notice of protest and non-payment and all other notices of any kind. No release of any security for the Debt or extension of time for payment of this Note or any installment hereof, and no alteration, amendment or waiver of any provision of this Note, the Building Loan Agreement or the other Building Loan Documents made by agreement between Lender or any other Person shall release, modify, amend, waive, extend, change, discharge, terminate or affect the liability of Borrower or any other Person who may become liable for the payment of all or any part of the Debt under this Note, the Building Loan Agreement or the other Building Loan Documents. No notice to or demand on Borrower shall be deemed to be a waiver of the obligation of Borrower or of the right of Lender to take further action without further notice or demand as provided for in this Note, the Building Loan Agreement or the other Building Loan Documents. If Borrower is a partnership or limited liability company, the agreements herein contained shall remain in force and be applicable, notwithstanding any changes in the individuals comprising the partnership or limited liability company, and the term "Borrower," as used herein, shall include any alternate or successor partnership or limited liability company, but any predecessor partnership or limited

liability company and their partners or members shall not thereby be released from any liability. If Borrower is a corporation, the agreements contained herein shall remain in full force and be applicable notwithstanding any changes in the shareholders comprising, or the officers and directors relating to, the corporation, and the term "Borrower," as used herein, shall include any alternative or successor corporation, but any predecessor corporation shall not be relieved of liability hereunder. (Nothing in the foregoing sentence shall be construed as a consent to, or a waiver of, any prohibition or restriction on transfers of interests in such partnership, limited liability company or corporation, which may be set forth in the Building Loan Agreement, the Building Loan Mortgage or any other Building Loan Document.)

ARTICLE 7 : TRANSFER

Upon the transfer of this Note, Borrower hereby waiving notice of any such transfer, Lender may deliver all the collateral mortgaged, granted, pledged or assigned pursuant to the Building Loan Documents, or any part thereof, to the transferee (subject, however, to the terms of Section 10.24 of the Building Loan Agreement) who shall thereupon become vested with all the rights herein or under applicable law given to Lender with respect thereto, and, subject to the terms of Section 10.24 of the Building Loan Agreement, 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.

ARTICLE 8 : INTENTIONALLY OMITTED

ARTICLE 9 : GOVERNING LAW

(A) THIS NOTE WAS NEGOTIATED IN THE STATE OF NEW YORK, AND MADE BY BORROWER AND ACCEPTED BY LENDER IN THE STATE OF NEW YORK, AND THE PROCEEDS OF THIS NOTE 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 NOTE 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 LAWS) AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA. TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS NOTE AND 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.

(B) ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST LENDER OR BORROWER ARISING OUT OF OR RELATING TO THIS NOTE MAY AT AGENT'S OPTION 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 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 HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUIT, ACTION OR PROCEEDING. BORROWER DOES HEREBY DESIGNATE AND APPOINT:

PROSKAUER ROSE LLP
1585 BROADWAY
NEW YORK, NEW YORK 10036
ATTN: LAWRENCE J. LIPSON, ESQ.

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 AGENT 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.

ARTICLE 10 : NOTICES

All notices or other written communications hereunder shall be delivered in accordance with Section 10.6 of the Building Loan Agreement.

ARTICLE 11 : JOINT AND SEVERAL

Each of the entities constituting Borrower hereunder shall be jointly and severally liable for all of Borrower's obligations hereunder.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, Borrower has duly executed this Note as of the day and year first above written.

731 COMMERCIAL LLC, a Delaware
limited liability company

By: 731 Commercial Holding LLC,
member

By: Alexander's, Inc., member

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice
President-Finance and
Administration

731 RESIDENTIAL LLC, a Delaware
limited liability company

By: 731 Residential Holding LLC,
member

By: Alexander's, Inc. member

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice
President-Finance and
Administration

EXHIBIT A

EXISTING NOTES

The notes secured by the following mortgages:

- (1) Mortgage, Assignment of Leases and Security Agreement made by Seven Thirty One Limited Partnership and Alexander's Department Stores of Lexington Avenue, Inc. - to - First Fidelity Bank (NA), in the amount of \$30,000,000.00, dated as of 3/15/95 and recorded on 3/20/95 in Reel 2192 Page 1291, which mortgage was modified by Mortgage Modification and Extension Agreement made between Seven Thirty One Limited Partnership and Alexander's Department Stores of Lexington Avenue, Inc. - and - First Union National Bank (formerly known as Fidelity Bank, N.A.), dated as of 3/15/98 and recorded on 2/16/99 in Reel 2819 Page 1988 and which mortgage was severed and modified by Note and Mortgage Modification and Severance Agreement made between Alexander's of Fordham Road Inc., Alexander's Inc., Alexander's of Third Avenue Inc., Alexander's Rego Park Center, Inc., Alexander's of Rego Park II, Inc., Alexander's of Rego Park III, Inc., Seven Thirty One Limited Partnership, Alexander's Department Stores of Lexington Avenue, Inc., Alexander's of Brooklyn, Inc., Alexander's Department Stores of New Jersey Inc. - and - First Union National Bank, (formerly known as Fidelity Bank, National Association) dated as of 6/18/98 and recorded on 9/10/98 in Reel 2703 Page 1797, which severs the note and mortgage into a mortgage on premises in Kings County in the sum of \$10,000,000 and the remaining note in the sum of \$20,000,000 continues to be secured by mortgage 1, which mortgage was further modified and extended by Mortgage Modification and Extension Agreement between Alexander's of Fordham Road Inc., Alexander's Inc., Alexander's of Third Avenue Inc., Alexander's Rego Park Center, Inc., Alexander's of Rego Park II, Inc., Alexander's of Rego Park III, Inc., Seven Thirty One Limited Partnership, Alexander's Department Stores of Lexington Avenue, Inc., Alexander's of Brooklyn, Inc., Alexander's Department Stores of New Jersey Inc. -and- First Union National Bank, (formerly known as Fidelity Bank, National Association) dated as of 3/29/99, recorded 4/20/99 in Reel 2859 Page 174, which mortgage was further modified by Modification and Extension Agreement made between Alexander's of Fordham Road, Inc., Alexander's Inc., Alexander's of Third Avenue, Inc., Alexander's of Rego Park II, Inc., Alexander's of Rego Park III, Inc., Seven Thirty One Limited Partnership, Alexander's Department Stores of Lexington Avenue, Inc., Alexander's Department Stores of New Jersey, Inc. -and- First Union National Bank formerly known as First Fidelity Bank, National Association, dated as of 4/14/00 and recorded on 4/3/01 in Reel 3265 Page 1882 and which mortgage was further modified and extended by Mortgage Modification and Extension Agreement made between Alexander's Inc., Alexander's of Third Avenue, Inc., Alexander's of Rego Park II, Inc., Alexander's of Rego Park III, Inc., Seven Thirty One Limited Partnership, Alexander's Department Stores of Lexington Avenue, Inc., Alexander's Department Stores

of New Jersey, Inc. -and- First Union National Bank formerly known as First Fidelity Bank, National Association, dated as of 4/27/01 and recorded on 5/21/01 in Reel 3291 Page 1269, and which mortgage modified and extended by Mortgage Modification and Extension Agreement made between Alexander's Inc., Alexander's of Third Avenue, Inc., Alexander's of Rego Park II, Inc., Alexander's of Rego Park III, Inc., Seven Thirty One Limited Partnership, Alexander's Department Stores of Lexington Avenue, Inc., 59th Street Corporation. -and- First Union National Bank formerly known as First Fidelity Bank, National Association, dated as of 3/15/02 and to be recorded in the Office of the Register of the City of New York, County of New York, on June 24, 2002 in Reel 3545 Page 2045 which mortgages covered other properties and which other properties were released from the mortgages by Release dated the 3rd day of July, 2002 and to be recorded in the Office of the Register of the City of New York, County of Kings, Queens and The Bronx, and which mortgage was assigned to the Insured by virtue of an Assignment of mortgage dated the 3rd day of July, 2002 from Wachovia Bank, National Association, f/k/a First Union National Bank, f/k/a First Fidelity Bank, National Association, and to be recorded in the Office of the Register of the City of New York, County of New York.

- (2) Mortgage made by Seven Thirty One Limited Partnership and Alexander's Department Stores of Lexington Avenue, Inc. - to - Vornado Lending Corp., in the amount of \$45,000,000.00, dated as of 3/15/95 and recorded on 3/22/95 in Reel 2193 Page 966 and which mortgage was modified and extended by Mortgage Modification and Extension Agreement made between Seven Thirty One Limited Partnership and Alexander's Department Stores of Lexington Avenue, Inc. - and Vornado Lending LLC, formerly known as Vornado Lending Corp., dated as of 3/15/98 and recorded on 2/16/99 in Reel 2819 Page 1998 and which mortgage was modified and extended by Second Mortgage Modification and Extension Agreement made between Seven Thirty One Limited Partnership and Alexander's Department Stores of Lexington Avenue, Inc. - and - Vornado Lending LLC (formerly known as Vornado Lending Corp.), dated as of 3/29/99 and recorded on 4/20/99 in Reel 2859 Page 251, and which mortgage was further modified and extended by Third Mortgage Modification and Extension Agreement made between Seven Thirty One Limited Partnership, Alexander's Department Stores of Lexington Avenue, Inc. -and- Vornado Lending L.L.C. (formerly known as Vornado Lending Corp.) dated as of 3/15/00 and recorded on 1/11/01 in Reel 3220 Page 2176, which mortgage was assigned to the Insured by virtue of an Assignment of Mortgage dated the 3rd day of July, 2002, from Vornado Lending, L.L.C. f/k/a Vornado Lending Corp. and to be recorded in the Office of the Register of the City of New York, County of New York.
- (3) Gap Mortgage in the sum of \$500,000. dated the 3rd day of July, 2002, by and between 731 Commercial LLC and 731 Residential LLC, as mortgagor and the Insured, as mortgagee and to be recorded in the Office of the Register of the City of New York, County of New York.

GUARANTY OF COMPLETION

THIS GUARANTY (this "GUARANTY") is executed as of July 3, 2002 by VORNADO REALTY L.P., a Delaware limited partnership (whether one or more collectively referred to as "GUARANTOR"), for the benefit of BAYERISCHE HYPO-UND VEREINSBANK AG, NEW YORK BRANCH, a German banking corporation organized under the laws of the Federal Republic of Germany, having an address at 622 Third Avenue, New York, New York 10017 ("HVB"), acting in its capacity as agent (HVB in such capacity, together with its successors and assigns in such capacity, "AGENT") for the ratable benefit of HVB, acting in its individual capacity, and any other co-lenders as may exist from time to time (collectively, with HVB, "LENDERS").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Building Loan Agreement, dated of even date herewith, between Borrower, Agent and Lenders (together with all extensions, renewals, modifications, substitutions and amendments thereof, the "BUILDING LOAN AGREEMENT"), Agent has agreed to administer and Lenders have agreed to make a building loan to 731 Commercial LLC and 731 Residential LLC, each a Delaware limited liability company (collectively, "BORROWER") in the principal amount of up to TWO HUNDRED MILLION and No/100 DOLLARS (\$200,000,000.00) (the "BUILDING LOAN"), which Loan is evidenced by one or more Consolidated, Amended and Restated Building Loan Mortgage Note(s), dated of even date herewith, executed by Borrower and payable to the order of Lenders according to their respective ratable shares of the Loan (collectively, together with all extensions, renewals, modifications, substitutions and amendments thereof, the "BUILDING LOAN NOTE");

WHEREAS, pursuant to that certain Supplemental Loan Agreement, dated of even date herewith, between Borrower, Agent and Lenders (together with all extensions, renewals, modifications, substitutions and amendments thereof, the "SUPPLEMENTAL LOAN AGREEMENT"), Agent has agreed to administer and Lenders have agreed to make a supplemental loan to Borrower in the principal amount of up to Two Hundred Fifteen Million Three Hundred Sixteen Thousand Eight Hundred Eighteen and No/100 Dollars (\$215,316,818) (the "SUPPLEMENTAL LOAN"), which Supplemental Loan will be evidenced by one or more Consolidated, Amended and Restated Supplemental Mortgage Loan Note(s), made by Borrower and payable to the order of Lenders according to their respective ratable shares of the Loan (collectively, together with all extensions, renewals, modifications, substitutions and amendments thereof, the "SUPPLEMENTAL LOAN NOTE");

WHEREAS, pursuant to that certain Project Loan Agreement, dated of even date herewith, between Borrower, Agent and Lenders (together with all extensions, renewals, modifications, substitutions and amendments thereof, the "PROJECT LOAN AGREEMENT" and together with the Building Loan Agreement and Supplemental Loan Agreement, collectively, the "LOAN AGREEMENT"), Agent has agreed to administer and Lenders have agreed to make a project loan to Borrower in the principal amount of up to Seventy Four Million Six Hundred Eighty Three Thousand One Hundred Eighty Two and No/100 Dollars (\$74,683,182) (the "PROJECT

LOAN" and together with the Building Loan and the Supplemental Loan, collectively, the "LOAN"), which Project Loan will be evidenced by one or more Project Loan Mortgage Note(s), made by Borrower and payable to the order of Lenders according to their respective ratable shares of the Loan (collectively, together with all extensions, renewals, modifications, substitutions and amendments thereof, the "PROJECT LOAN NOTE" and together with the Building Loan Note and the Supplemental Loan Note, collectively, the "NOTE");

WHEREAS, Lenders are not willing to make the Loan, or otherwise extend credit, to Borrower unless Guarantor unconditionally guarantees payment and performance to Lenders of the Guaranteed Obligations (as herein defined); and

WHEREAS, Guarantor is the owner of an indirect interest in Borrower, and Guarantor will directly benefit from Lenders making the Loan to Borrower.

NOW, THEREFORE, as an inducement to Lenders to make the Loan to Borrower and to extend such additional credit as Lenders may from time to time agree to extend under the Loan Documents, and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

ARTICLE I

NATURE AND SCOPE OF GUARANTY

1.1 GUARANTY OF OBLIGATION. Guarantor hereby irrevocably, absolutely and unconditionally guarantees to Agent and Lenders and their respective 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.

1.2 DEFINITIONS. The following terms shall have the respective meanings set forth below. All other capitalized terms used herein and not otherwise defined, shall have the respective meanings assigned to them in the Building Loan Agreement.

"COLLATERAL DISBURSEMENT CONDITIONS" shall have the meaning as set forth in the Cash Collateral Agreement.

"COMPLETION COST OVERRUNS" shall have the meaning as set forth in the definition of Guaranteed Obligations, provided, however that if a Casualty shall have occurred at the Property prior to Completion of the Improvements (other than a Casualty resulting from an act of terrorism), then for the purpose of Section 1.3(e) of this Guaranty, Completion Cost Overruns shall be calculated so as to also include the costs to complete the Restoration (determined by estimation of the Construction Expert, such estimation to include the estimated time to accomplish such Restoration) to the extent that the same exceeds the Net Proceeds received by Agent (whether or not applied in reduction of the Total Debt) with respect to such Casualty and not theretofore disbursed to Borrower or Guarantor for the costs of Restoration.

"COMPLETION COSTS" shall have the meaning as set forth in the definition of Guaranteed Obligations.

"CONSTRUCTION EXPERT" shall mean a Person selected by Agent who meets the standards of an arbitrator under the American Arbitration Association Rules having at least ten (10) years of experience relating to construction of high rise office and residential buildings in Manhattan.

"DEPOSITS" shall mean any funds of Borrower, other than Net Cash Flow Funds and Net Proceeds, that at the time in question are then on deposit with Agent pursuant to the terms of the Loan Documents, including any Cash Collateral.

"FINAL COMPLETION DATE" shall mean January 3, 2008.

"GUARANTEED OBLIGATIONS" shall mean the obligations or liabilities of Borrower to Lenders under the Loan Agreement (a) to achieve Completion of the Base Building Work on or before the Initial Maturity Date and to diligently pursue and achieve Completion of the Improvements on or before the Final Completion Date; and (b) to pay for all obligations, liabilities, costs and expenses incurred in connection with the Completion of the Improvements (including, without limitation, all Hard Costs, Soft Costs and Project Costs (as defined in the Project Loan Agreement)), and all interest on the Note and all Taxes and Other Charges that become due and payable prior to the Completion of the Improvements, but only to the extent that the foregoing costs and expenses, interest, Taxes and Other Charges (collectively, the "COMPLETION COSTS") exceed the respective undisbursed amounts (which shall include undisbursed Cash Collateral) (taking into consideration the assumptions made in the Loan Budget for the total period of time over which such Line Items were budgeted) set forth in the related Line Items for such Completion Costs in the Loan Budget (subject to such reallocation, if any, as is permitted in accordance with the Loan Agreement) (such excess, herein referred to as "COMPLETION COST OVERRUNS").

"GUARANTOR DRAW CONDITIONS" shall mean:

(a) Guarantor shall have cured all existing Events of Default under the Building Loan Agreement and other Loan Documents (other than the Guaranty of Carry Obligations and the Guaranty of Limited Recourse Obligations made by Alexander's) that are susceptible of being cured by Guarantor within thirty (30) days after the applicable period of time afforded to Borrower for the curing of the Default under the Loan Documents that resulted in the Event of Default;

(b) the disbursement of Loan proceeds to Guarantor shall be secured by the Building Loan Mortgage, the Supplemental Loan Mortgage or the Project Loan Mortgage, as the case may be, with the priority intended with respect to all previous Loan Advances pursuant to the related Loan Agreement to Borrower;

(c) Guarantor shall pay for or fund all amounts that Borrower would be required to deposit with Agent pursuant to Section 2.1.11 of the Building Loan Agreement and the Project Loan Agreement so that the Loan remains in balance;

(d) no monetary Default or Event of Default with respect to any Guaranty (as defined in the Building Loan Agreement) given by Guarantor shall be continuing following the date Guarantor has assumed responsibility for the Completion of the Improvements;

(e) Guarantor shall comply with Sections 2.1.4, 2.1.7, 2.1.8, 2.1.9, 2.1.10, 2.1.11, 2.1.12, 2.8.1, 2.9.2(a), 2.9.2(b), (c), (d), (f), (g), (i), (j), (l), (n), (o), (p) and (q), 2.9.3(a), (b), (c), (d), (e), (f) and (g), 2.9.4 and 2.10 of the Building Loan Agreement with respect to any disbursements of Building Loan proceeds;

(f) Guarantor shall comply with Sections 2.1.8, 2.1.13, 2.9.1(a), (b), (c), (d), (e), (f), (g), (h), (i), (j), (k), (l), (n), (o), (p) and (r) and 2.10.1 of the Supplemental Loan Agreement with respect to any advances of Supplemental Loan proceeds and the Collateral Disbursement Conditions under the Cash Collateral Agreement with respect to any disbursements of Cash Collateral and the Collateral Disbursement Conditions under the Cash Collateral Agreement with respect to any disbursements of Cash Collateral; and

(g) Guarantor shall comply with Sections 2.1.8, 2.1.13, 2.9.1(a), (b), (c), (d), (e), (f), (g), (h), (i), (j), (k), (l), (n), (o), (p) and (r) and 2.10.1 of the Project Loan Agreement with respect to any advances of Project Loan proceeds.

Provided, that for the purpose of determining satisfaction of the conditions pursuant to clause (e) above, the continued satisfaction by Guarantor of the conditions set forth in Sections 2.9.1(cc) and (dd) of the Building Loan Agreement and compliance with Section 2.9.2(g) of the Building Loan Agreement shall be subject to the provisions of paragraph (a) of this definition of Guarantor Draw Conditions, and for the purposes of determining satisfaction of the conditions pursuant to clauses (f) and (g) above, to the extent that the same incorporate the conditions set forth in Sections 2.9.1(cc) and (dd) (i.e., pursuant to Sections 2.9.1(k) and (l) of the Supplemental Loan Agreement and the Project Loan Agreement, respectively) and Section 2.9.2(g) of the Building Loan Agreement, the continued satisfaction by Guarantor of the conditions set forth in Sections 2.9.1(cc) and (dd) of the Building Loan Agreement and compliance with Section 2.9.2(g) of the Building Loan Agreement shall also be subject to the provisions of paragraph (a) of this definition of Guarantor Draw Conditions.

"LOAN PURCHASE PRICE" shall have the meaning as set forth in Section 1.3(g) hereof.

"OFFICER'S CERTIFICATE" shall mean a certificate delivered to Agent by Guarantor which is signed by an authorized officer of Guarantor (without recourse to said officer).

"PERMITTED GUARANTOR DEFENSE" shall mean, with respect to the Guarantor, the defense of payment or the defense that Lenders failed to fund the Loan in accordance with the Loan Agreements, in either case, to the extent such defense is available to Borrower.

"TERRORISM INSURANCE SHORTFALL" shall mean, as of the date of the Casualty resulting from an act of terrorism, the amount by which (a) the cost of Completion of the Improvements, as determined by the Construction Expert, such determination to be made in the manner hereinafter provided, exceeds (b) the sum of the undisbursed portion of the Loan and the Net Proceeds received by Agent by reason of such act of terrorism or which Agent would have

received by reason of such act of terrorism had Borrower performed its obligations regarding terrorism insurance and Terrorism Coverage (as defined in the Building Loan Agreement) in accordance with the Building Loan Agreement.

1.3 NATURE OF GUARANTY. (a) This Guaranty is an irrevocable, unconditional, 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. 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 Lenders with respect to the Guaranteed Obligations. This Guaranty may be enforced by Agent on behalf of Lenders and any subsequent holder of the Note and shall not be discharged by the assignment or negotiation of all or part of the Note.

(b) Notwithstanding anything to the contrary set forth in this Guaranty, if Borrower shall abandon construction of the Improvements, shall fail to achieve Completion of the Base Building Work on or before the Initial Maturity Date or shall thereafter fail to diligently pursue and achieve Completion of the Improvements, or shall fail to pay all Completion Costs, or shall otherwise be in Default under the Building Loan Agreement or other Loan Documents in any material respect, or if for any other reason, Guarantor may be required to perform under this Guaranty, then Guarantor shall have the right to assume all responsibility for the performance of the Completion of the Base Building Work on or before the Initial Maturity Date and Completion of the Improvements on or before the Final Completion Date and for the payment of all Completion Costs (to the extent that the same exceeds the respective undisbursed amounts (which shall include undisbursed Cash Collateral) set forth in the related Line Items for such Completion Costs in the Loan Budget (subject to such reallocation, if any, as is permitted in accordance with the Loan Agreement)) in connection therewith. For purposes of this Guaranty, Guarantor shall have the same rights to make reallocations of the Budget Line Items as Borrower is entitled to make under the Loan Agreement.

(c) If Guarantor so elects to assume all responsibility to achieve Completion of the Improvements as provided herein, Guarantor shall provide Agent with notice of such election, which notice may not be given later than twenty (20) days after the date that Agent provides notice to Guarantor that Agent will require Guarantor to perform under this Guaranty. Notwithstanding the foregoing, Guarantor may at any time thereafter elect to discontinue its responsibility to accomplish Completion of the Base Building Work on or before the Initial Maturity Date and Completion of the Improvements on or before the Final Completion Date by delivering notice of such election to Agent, in which event the provisions of Section 1.3(e) hereof shall apply.

(d) By acceptance of this Guaranty, Agent and Lenders agree that, so long as Guarantor shall continue to perform under this Guaranty and the Guarantor Draw Conditions are satisfied, Guarantor shall be entitled (i) to requisition and draw all the undisbursed portions of the Loan funds pursuant to the Loan Budget (subject to the terms of the Loan Agreement governing reallocations of budgeted Line Items) (but not in excess of the Maximum Loan Commitment Amount or, if applicable, the Special Loan Cap Amount), and each Lender shall disburse its Ratable Share of such Loan proceeds to Guarantor for the purpose of (and to the

extent necessary for) achieving Completion of the Improvements substantially in accordance with the Plans and Specifications and (ii) to disbursement by Agent of any and all Deposits (to the extent that Borrower would have been entitled to such disbursement under the Loan Agreement to pay for Completion Costs if no material Default and no Event of Default then existed). In addition, in the event that a Casualty occurs, then provided that Guarantor assumes responsibility for the completion of the Restoration (as well as the Completion of the Improvements as required herein), Agent and Lenders agree that, so long as Guarantor shall continue to perform under this Guaranty and the conditions (other than the absence of any material Default or any Event of Default) for the disbursement of Net Proceeds have been satisfied, Guarantor shall be entitled to disbursement of the Net Proceeds held by Agent (as "Mortgagee" under the Mortgage, rather than as "Insurance Trustee" under the Offering Plan) under the Loan Agreement to pay for the costs of Restoration.

(e) If (i) Guarantor shall fail or refuse to perform, or continue performance of, all of the obligations of achieving Completion of the Base Building Work on or before the Initial Maturity Date and diligently pursuing and achieving Completion of the Improvements on or before the Final Completion Date as provided herein, (ii) there shall be any material cessation in the construction of the Improvements for a period of twenty (20) consecutive Business Days unless due to Force Majeure or (iii) an event of the nature described in Section 9.1(a)(vii) or (viii) of the Building Loan Agreement shall occur with respect to Guarantor, then in any such case, as Lenders' sole and exclusive remedy under this Guaranty with respect to the Guaranteed Obligations, Agent on behalf of Lenders shall have the right to recover from Guarantor the estimated amount (as hereinafter determined) of the Completion Cost Overruns (it being agreed that Lenders shall not be required to complete the Improvements prior to recovering the same) plus any and all amounts due pursuant to Section 1.8 of this Guaranty, together with interest, at the Default Rate, on such amounts, in the case of such estimated amount, from the date determined by the Construction Expert as hereinafter provided until the date paid, and in the case of amounts due pursuant to Section 1.8 of this Guaranty, from the date such expense was incurred until the date paid. Such estimated amount shall be determined (such determination to include a determination of the estimated time to accomplish Completion of the Base Building Work and Completion of the Improvements and, if applicable, any Restoration required at the Property as a result of any Casualty (other than a Casualty resulting from an act of terrorism)), by the Construction Expert. Guarantor agrees that any amount estimated by the Construction Expert as aforesaid (including any determination of the estimated time to accomplish Completion of the Base Building Work and Completion of the Improvements and any such Restoration, and any determination by the Construction Expert with respect to industry practices, shall be conclusive for purposes of determining Guarantor's liability hereunder. If Lenders recover the Completion Cost Overruns based upon a determination of the estimated amount thereof in accordance with the provisions hereof plus any and all amounts due pursuant to Section 1.8 of this Guaranty, together with interest thereon at the Default Rate as hereinabove provided, Guarantor shall have no further liability under this Guaranty. If such Completion Cost Overruns included payment by Borrower of an estimated amount for the cost of Restoration prior to any Net Proceeds being received by Agent and, accordingly, without deduction for any Net Proceeds in determining such Completion Cost Overruns, and if, after payment by Guarantor of all amounts payable by it pursuant to the immediately preceding sentence, Agent subsequently receives any Net Proceeds pursuant to the Loan Documents, Agent shall disburse to Guarantor

such Net Proceeds but only up to the estimated cost of Restoration included by the Construction Expert in its determination of Completion Cost Overruns.

(f) Notwithstanding anything to the contrary in this Guaranty, Guarantor shall be relieved of any further liability under this Guaranty and this Guaranty shall terminate and be of no further force or effect if any of the following occur:

- (i) Lenders shall fail to fund any Loan proceeds or disburse any Net Proceeds or Deposits if required to do so pursuant to the terms of this Guaranty;
- (ii) provided that Guarantor is performing all of its obligations under this Guaranty, Agent or Lenders shall (A) take any action (other than through Guarantor) to complete the Improvements which materially and adversely interferes with or impairs Guarantor's ability to perform its obligations under this Guaranty; or (B) terminate or modify in any material and adverse respect any Construction Contracts; or
- (iii) a Casualty shall have occurred at the Property resulting from an act of terrorism unless, within sixty (60) days after the occurrence of such Casualty, Agent on behalf of the Lenders, shall have agreed to pay to Guarantor the Terrorism Insurance Shortfall (the "TERRORISM SHORTFALL ADVANCES") such agreement to be evidenced by notice to Guarantor given within such sixty (60) day period. In the event Agent, on behalf of the Lenders, shall have so agreed, Guarantor shall not be relieved of any further liability under this Guaranty and shall have no right to terminate this Guaranty. The Terrorism Shortfall Advances shall be paid by Agent to Guarantor in the same manner as Net Proceeds are paid pursuant to this Guaranty provided such Terrorism Shortfall Advances shall be made only after the Loan proceeds which are then available for disbursement shall have been fully disbursed to Guarantor.

(g) Notwithstanding anything in this Guaranty to the contrary, if Agent shall at anytime require Guarantor to perform under this Guaranty, Guarantor shall have the right to purchase, in whole but not in part, the Loan for a price equal to the outstanding principal balance thereof, together with all accrued interest and other amounts due under the Loan Documents (including, without limitation, any late charges, breakage costs, default interest, advances and post-petition interest), any protective advances made by Lenders and any interest charged by Lenders on any advances for monthly payments of principal and/or interest on the Loan and/or on any protective advances), including all costs and expenses (including reasonable legal fees and expenses) actually incurred by Agent on behalf of Lenders in enforcing the terms of the Loan Documents (the "LOAN PURCHASE PRICE"). Concurrently with payment to Agent (for

the ratable benefit of Lenders) of the Loan Purchase Price, provided that Guarantor shall assume any and all obligations of Agent and/or Lenders that may thereafter arise under the Loan Documents (including, without limitation, any continuing funding obligations), Agent and/or Lenders (as applicable) shall deliver or cause to be delivered to Guarantor all Loan Documents held by or on behalf of Lenders and will execute in favor of Guarantor or its designee assignment and assumption documentation, in form and substance reasonably acceptable to Guarantor, at the sole cost and expense of Guarantor, to assign the Loan and its rights under the Loan Documents without recourse, representations or warranties (express or implied) whatsoever, other than a representation that Agent and/or Lenders are the holders and owners of the Loan Documents free and clear of all liens and encumbrances. The right of Guarantor hereunder to purchase the Loan shall automatically terminate upon a transfer of the Premises by foreclosure sale, sale by power of sale or delivery of a deed in lieu of foreclosure. Upon payment to Agent (for the ratable benefit of Lenders) of the Loan Purchase Price and of any and all amounts due pursuant to Section 1.8 of this Guaranty, Guarantor shall have no further liability under this Guaranty.

1.4 GUARANTEED OBLIGATIONS NOT REDUCED BY OFFSET. The Guaranteed Obligations and the liabilities and obligations of Guarantor to Agent and Lenders hereunder shall not be reduced, discharged or released because or by reason of any existing or future offset, claim or defense (other than any Permitted Guarantor Defense) of Borrower or any other party against Agent and/or Lenders or against payment of the Guaranteed Obligations, whether such offset, claim or defense arises in connection with the Guaranteed Obligations (or the transactions creating the Guaranteed Obligations) or otherwise.

1.5 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, within ten (10) Business Days after demand by Agent 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, pay in lawful money of the United States of America, the amount due on the Guaranteed Obligations to Agent at Agent'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. If the amount due on the Guaranteed Obligations is not paid to Agent as aforesaid within ten (10) Business Days after demand by Agent, the same shall bear interest at the Default Rate from the date of demand until the date the amount demanded has been paid (which interest shall be included within the meaning of Guaranteed Obligations).

1.6 NO DUTY TO PURSUE OTHERS. It shall not be necessary for Agent or Lenders (and Guarantor hereby waives any rights which Guarantor may have to require Agent or Lenders), in order to enforce the obligations of Guarantor hereunder, first to (i) institute suit or exhaust its remedies against Borrower or others liable on the Loan or the Guaranteed Obligations or any other person, (ii) enforce Agent's or Lenders' rights against any collateral which shall ever have been given to secure

the Loan, (iii) enforce Agent's or Lenders' rights against any other guarantors of the Guaranteed Obligations, (iv) join Borrower or any others liable on the Guaranteed Obligations in any action seeking to enforce this Guaranty, (v) exhaust any remedies available to Agent or Lenders against any collateral which shall ever have been given to secure the Loan, or (vi) resort to any other means of obtaining payment of the Guaranteed Obligations. Neither Agent nor Lenders shall be required to mitigate damages or take any other action to reduce, collect or enforce the Guaranteed Obligations.

1.7 WAIVERS. Guarantor agrees to the provisions of the Loan Documents and hereby waives notice of (i) any loans or advances made by Agent or Lenders to Borrower, (ii) acceptance of this Guaranty, (iii) any amendment or extension of the Note, the Mortgage, the Loan Agreement or of any other Loan Documents, (iv) the execution and delivery by Borrower, Agent and Lenders 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, (v) the occurrence of any breach by Borrower or an Event of Default, (vi) any Lender's transfer or disposition of the Guaranteed Obligations, or any part thereof, (vii) sale or foreclosure (or posting or advertising for sale or foreclosure) of any collateral for the Guaranteed Obligations, (viii) protest, proof of non-payment or default by Borrower, or (ix) any other action at any time taken or omitted by Agent or Lenders 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 the obligations hereby guaranteed.

1.8 PAYMENT OF EXPENSES. In the event that Guarantor should breach or fail to timely perform any provisions of this Guaranty, Guarantor shall, within five (5) Business Days after demand by Agent, pay Agent for all reasonable out-of-pocket costs and expenses (including reasonable court costs and attorneys' fees) incurred by Agent in the enforcement hereof or the preservation of Agent's and Lenders' rights hereunder. The covenant contained in this Section shall survive the payment and performance of the Guaranteed Obligations.

1.9 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, Lenders must rescind or restore any payment or any part thereof received by Lenders 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 Lenders or Agent on Lenders' behalf 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.

1.10 WAIVER OF SUBROGATION, REIMBURSEMENT AND CONTRIBUTION. Notwithstanding anything to the contrary contained in this Guaranty, Guarantor hereby unconditionally and irrevocably waives its rights to enforce any and all rights it may now or hereafter have under any agreement, at law or in equity (including, without limitation, any law subrogating the Guarantor to the rights of Agent and/or Lenders), 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, and subordinates any and all of such rights, in all cases, until the Loan is paid in full.

1.11 BORROWER. The term "BORROWER" as used herein 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 or any interest in Borrower.

ARTICLE II

EVENTS AND CIRCUMSTANCES NOT REDUCING OR DISCHARGING GUARANTOR'S OBLIGATIONS

Guarantor hereby consents and agrees to each of the following and 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:

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 Agent and/or Lenders or any other parties pertaining to the Guaranteed Obligations or any failure of Agent or Lenders to notify Guarantor of any such action.

2.2 ADJUSTMENT. Any adjustment, indulgence, forbearance or compromise that might be granted or given by Lenders or Agent on its behalf to Borrower or any Guarantor.

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.

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 (i) the Guaranteed Obligations or any part thereof exceeds the amount permitted by law, (ii) the act of creating the Guaranteed Obligations or any part thereof is ultra vires, (iii) 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, (iv) the Guaranteed Obligations violate applicable usury laws, (v) the Borrower has valid defenses (other than any Permitted Guarantor Defense), claims or offsets (whether at law, in equity or by agreement) which render the Guaranteed Obligations wholly or partially uncollectible from Borrower, (vi) 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 (vii) 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 (other than any Permitted Guarantor Defense).

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 Lenders will look to other parties to pay or perform the Guaranteed Obligations.

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.

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.

2.8 CARE AND DILIGENCE. The failure of Agent and/or Lenders or any other party 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 Agent and/or Lenders (i) to take or prosecute any action for the collection of any of the Guaranteed Obligations or (ii) to foreclose, or initiate any action to foreclose, or, once commenced, prosecute to completion any action to foreclose upon any security therefor, or (iii) to take or prosecute any action in connection with any instrument or agreement evidencing or securing all or any part of the Guaranteed Obligations.

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.

2.10 OFFSET. The fact that the Note, the Guaranteed Obligations and the liabilities and obligations of the Guarantor to Lenders 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 any Permitted Guarantor Defense) of Borrower against Agent and/or Lenders, or any other party, or against payment of the Guaranteed Obligations, whether such right of offset, claim or defense

(other than any Permitted Guarantor Defense) arises in connection with the Guaranteed Obligations (or the transactions creating the Guaranteed Obligations) or otherwise.

2.11 MERGER. The reorganization, merger or consolidation of Borrower into or with any other Person.

2.12 PREFERENCE. Any payment by Borrower to Agent and/or Lenders is held to constitute a preference under bankruptcy laws or for any reason Lenders is required to refund such payment or pay such amount to Borrower or someone else.

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 (other than actions that constitute Permitted Guarantor Defenses), 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 AND WARRANTIES

To induce Agent to enter into the Loan Documents and Lenders to enter into the Loan Agreement and extend credit to Borrower, Guarantor represents and warrants to Agent and Lenders as follows:

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 Loan to Borrower.

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.

3.3 NO REPRESENTATION BY LENDERS. Neither Agent nor Lenders nor any other party has made any representation, warranty or statement to Guarantor in order to induce the Guarantor to execute this Guaranty.

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 will be

solvent and has and will have assets which, fairly valued, exceed its obligations, liabilities (including contingent liabilities) and debts, and has and will have property and assets sufficient to satisfy and repay its obligations and liabilities.

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 in any material respect (or an event which with notice or lapse of time or both would constitute a default in any material respect) under, or result in the breach in any material respect of, any indenture, mortgage, charge, lien, or any material 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.

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.

3.7 LITIGATION. There is no action, suit, proceeding or investigation 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 Agreement, (ii) materially and adversely affect the value of its property, (iii) impair the use and operation of its property or (iv) impair Guarantor's ability to pay its obligations in a timely manner.

3.8 NO PLAN ASSETS. As of the date hereof and throughout the term of the Loan (a) Guarantor is not and will not be an "employee benefit plan," as defined in Section 3(3) of ERISA, subject to Title I of ERISA, (b) none of the assets of Guarantor constitutes or will constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3 101, (c) Guarantor is not and will not be a "governmental plan" within the meaning of Section 3(32) of ERISA and (d) transactions by or with Guarantor are not and will not be subject to state statutes regulating investment of, and fiduciary obligations with respect to, governmental plans.

3.9 FINANCIAL AND OTHER INFORMATION. All financial data that have been delivered to Agent and/or Lenders in respect of Guarantor (i) are true, complete and correct in all material respects as of the date of the statements containing such data, (ii) accurately represent the financial condition of Guarantor as of the date of the statements containing such data, and (iii) have been prepared in accordance with GAAP throughout the periods covered, except as disclosed therein. Guarantor 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 are known to Guarantor and reasonably likely to have a materially adverse effect on Guarantor, except as referred to or reflected in said financial statements. Since the date

of the financial statements, there has been no material adverse change in the financial condition, operations or business of Guarantor from that set forth in said financial statements. All documents furnished to Agent and/or Lenders by or on behalf of Guarantor, as part of or in support of the Loan application or pursuant to this Guaranty or any of the other Loan Documents, are true, correct, complete in all material respects and accurately represent the matters to which they pertain as of the dates made and there have been no materially adverse changes with respect to such matters since the respective dates thereof.

3.10 TAX FILINGS. Guarantor has filed (or has obtained effective extensions for filing) any federal, state and local tax returns required to be filed and has paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments payable by Guarantor.

3.11 SURVIVAL. All representations and warranties made by Guarantor herein shall survive the execution hereof.

ARTICLE IV

COVENANTS

4.1 FINANCIAL REPORTING. (a) Guarantor shall keep and maintain or will cause to be kept and maintained proper and accurate books and records, in accordance with GAAP, reflecting the financial affairs of Guarantor. Agent shall have the right during the continuance of an Event of Default from time to time during normal business hours upon reasonable notice to Guarantor to examine such books and records at the office of Guarantor or other Person maintaining such books and records and to make such copies or extracts thereof as Agent shall desire.

(b) Guarantor shall furnish Agent annually, within ninety days following the end of each Fiscal Year, a complete copy of Guarantor's annual financial statements audited by a nationally recognized accounting firm (other than Arthur Andersen) prepared in accordance with GAAP, including, without limitation, statements of (i) assets and liabilities and net worth, (ii) income and expense and (iii) cash flow for such Borrower, together with a copy of Guarantor's Form 10K.

(c) Guarantor shall furnish Agent quarterly, within forty five (45) days following the end of each quarter (other than the fourth quarter), unaudited, quarterly financial statements for Guarantor, including, without limitation, quarterly and year to date statements of (i) assets and liabilities and net worth, (ii) income and expense and cash flow for Guarantor, with a balance sheet for Guarantor prepared in accordance with GAAP, together with a copy of Guarantor's Form 10Q.

(d) Guarantors' financial statements delivered pursuant to Section 4.1(b) and (c) shall be accompanied by an Officer's Certificate (i) stating that (A) to the best knowledge of the Person executing such Officer's Certificate, such financial statements present fairly, in all material respects, the financial condition and the results of operations of Guarantor and (B) the

financial covenants contained in Section 4.2 are satisfied and (ii) setting forth the calculations for the Revolving Credit Financial Covenants (defined below).

4.2 FINANCIAL COVENANTS. (a) For the purposes of this Section 4.2, capitalized terms used in the financial covenants contained in paragraph (b) below shall have the respective meanings set forth in that Revolving Credit Agreement dated as of March 21, 2000 among Guarantor, as Borrower, Vornado Realty Trust, as General Partner, UBS AG, Stamford Branch, as Bank, the other banks party thereto, each as a Bank, UBS AG, Stamford Branch, as Administrative Agent, Citicorp Real Estate, Inc., as Syndication Agent, The Chase Manhattan Bank, as Syndication Agent, and Bank of America, N.A. as Documentation Agent (as amended and as it may be further amended, modified or replaced, the "REVOLVING CREDIT AGREEMENT") as of the date hereof.

(b) Subject to subsection (c) below, Guarantor covenants and agrees to satisfy and comply with all of the Guarantor's financial covenants set forth in Guarantor's Revolving Credit Agreement, as amended, modified or replaced in accordance with subsection (c) below (such covenants, as they may be amended, modified or replaced, the "REVOLVING CREDIT FINANCIAL COVENANTS"). The Guarantor hereby represents that as of the date hereof, the following are the Revolving Credit Financial Covenants and agrees that as of the end of any fiscal quarter (or as otherwise specified below) while this Guarantee is in force and effect, the Guarantor will not permit:

(i) Equity Value. At any time, Equity Value to be less than Two Billion Dollars (\$2,000,000,000).

(ii) Relationship of Total Outstanding Indebtedness to Capitalization Value. At any time, Total Outstanding Indebtedness to exceed sixty percent (60%) of Capitalization Value.

(iii) Relationship of Combined EBITDA to Interest Expense. At any time, the ratio of (1) Combined EBITDA to (2) Interest Expense, each for the most recently ended calendar quarter, to be less than 2.00 to 1.00.

(iv) Relationship of Combined EBITDA to Total Outstanding Indebtedness. At any time, the ratio (expressed as a percentage) of (1) Combined EBITDA for the most recently ended calendar quarter, annualized (i.e., multiplied by four (4)), to (2) Total Outstanding Indebtedness as of the end of such quarter, to be less than fifteen percent (15%). For the purposes of this Section 8.04, for any acquisition or Disposition of any asset or assets during such calendar quarter, (a) in the case of an acquisition, Combined EBITDA will include actual Combined EBITDA generated from such asset or assets, annualized based upon the number of days in such calendar quarter that such asset or assets are owned by Borrower and (b) in the case of a Disposition, Combined EBITDA will be reduced by actual Combined EBITDA generated from such asset or assets.

(v) Unsecured Debt Yield. At any time, Unsecured Debt Yield to be less than twelve percent (12%).

(vi) Relationship of Combined EBITDA to Fixed Charges. At any time, the ratio of Combined EBITDA to Fixed Charges, each for the most recently ended calendar quarter, to be less than 1.60 to 1.00.

(vii) Relationship of Unencumbered Combined EBITDA to Unsecured Interest Expense. At any time, the ratio of Unencumbered Combined EBITDA to Unsecured Interest Expense, each for the most recently ended calendar quarter, to be less than 1.50 to 1.00.

(c) All computations with respect to the foregoing financial covenants shall be subject to the reasonable approval of the Agent; provided however, computations approved under the Revolving Credit Agreement and computations for which approval is not required by the Revolving Credit Agreement shall be deemed approved hereunder. In the event that the Revolving Credit Financial Covenants are at any time amended, then, provided that Guarantor shall have given notice of such amendment to Agent as hereinafter required, the foregoing covenants set forth in clauses (i) through (vii) above (such covenants, the "GUARANTOR'S FINANCIAL COVENANTS"), shall automatically be amended to the same extent. In the event that the Revolving Credit Agreement is at any time replaced, then, provided that Guarantor shall have given notice of such replacement to Agent as hereinafter required, the foregoing Guarantor's Financial Covenants, shall automatically be amended to be as set forth in such replacement. In the event that the Revolving Credit Agreement is terminated, Guarantor covenants and agrees to satisfy and comply with all of the Guarantor's financial covenants (collectively, the "BOND COVENANTS") that apply under any bond indenture (the "INDENTURE") entered into by Guarantor in connection with the issuance by Guarantor of any corporate senior unsecured bonds, which Bond Covenants shall thereafter constitute Guarantor's Financial Covenants under this Guaranty, and if no such bonds are outstanding at the time of such termination, then the Revolving Credit Financial Covenants immediately prior to such termination shall continue as the Guarantor's Financial Covenants under this Guaranty. Guarantor shall provide the Agent with prompt notice of any such amendment of the Revolving Credit Financial Covenants or replacement or termination of the Revolving Credit Agreement or amendment of any Bond Covenants.

4.3 INTENTIONALLY OMITTED.

4.4 INTENTIONALLY OMITTED.

4.5 PRINCIPAL PLACE OF BUSINESS. Guarantor shall not change its chief executive office or chief place of business, which as of the date hereof is 888 Seventh Avenue, New York, New York 10019, without giving Agent prompt notice.

4.6 ERISA. (a) As used herein, "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

(b) Guarantor shall deliver to Agent such certifications or other evidence from time to time throughout the term of the Loan, as requested by Agent in its sole discretion, that (A) Guarantor is not and will not be an "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, or a "governmental plan" within the meaning of

Section 3(32) of ERISA; (B) Guarantor is not subject to state statutes regulating investments and fiduciary obligations with respect to governmental plans; and (C) one or more of the following circumstances is true:

(i) Equity interests in Guarantor are publicly offered securities, within the meaning of 29 C.F.R. Section 2510.3-101(b)(2);

(ii) Less than twenty-five percent (25%) of each outstanding class of equity interests in Guarantor are held by "benefit plan investors" within the meaning of 29 C.F.R. Section 2510.3-101(f)(2); or

(iii) Guarantor qualifies as an "operating company" or a "real estate operating company" within the meaning of 29 C.F.R. Section 2510.3-101(c) or (e).

4.7 Assignment and Participations. Guarantor agrees to execute, within ten (10) days after request therefor is made by Agent, any documents and/or estoppel certificates reasonably requested by Agent in connection with any participation or assignment made by any Lender pursuant to Section 10.24 of the Building Loan Agreement, without charge; provided that such documents and/or estoppel certificates do not expand the liability or obligations of Guarantor or reduce such assignee's or participant's obligations.

ARTICLE V

SUBORDINATION OF CERTAIN INDEBTEDNESS

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. After the occurrence of an Event of Default or during a Cash Trap Period (except as otherwise expressly permitted pursuant to Section 4.2.12 of the Building Loan Agreement), Guarantor shall not receive or collect, directly or indirectly, from Borrower any amount upon the Guarantor Claims until (i) the Loan has been paid in full or such Event of Default has been cured or waived in writing by Agent on behalf of Lenders and (ii) such Cash Trap Period no longer continues. Notwithstanding the foregoing provisions of this Section 5.1, the terms and provisions of the Intercreditor and Subordination Agreement and the Subordination of Development Fees shall govern with respect to the Guarantor Claims expressly covered thereby.

5.2 CLAIMS IN BANKRUPTCY. In the event of receivership, bankruptcy, reorganization, arrangement, debtor's relief, or other insolvency proceedings involving

Guarantor as debtor, Agent 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 Guarantor Claims. Guarantor hereby assigns such dividends and payments to Agent for the benefit of Lenders. Should Agent 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 Agent in full of the Guaranteed Obligations, Guarantor shall become subrogated to the rights of Lenders to the extent that such payments to Agent 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 Agent had not received dividends or payments upon the Guarantor Claims.

5.3 PAYMENTS HELD IN TRUST. In the event that, notwithstanding anything to the contrary in this Guaranty, during the continuance of an Event of Default or a Cash Trap Period. Guarantor should receive any funds, payment, claim or distribution from Borrower which is prohibited by this Guaranty or the Loan Agreement, Guarantor agrees to hold in trust for Agent 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 or distributions so received except to pay them promptly to Agent, and Guarantor covenants promptly to pay the same to Agent.

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 Agent or Lenders presently exist or are hereafter created or attach. Until Lenders have been paid in full, without the prior written consent of Agent, Guarantor shall not (i) exercise or enforce any creditor's right it may have against Borrower, or (ii) 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, mortgage, deeds of trust, security interests, collateral rights, judgments or other encumbrances on assets of Borrower held by Guarantor.

ARTICLE VI

MISCELLANEOUS

6.1 WAIVER. No failure to exercise, and no delay in exercising, on the part of Agent and/or Lenders, 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 Agent and Lenders hereunder shall be in addition to all other rights provided by law. No modification or waiver of any provision of this Guaranty, nor consent to 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.

6.2 NOTICES. All notices, demands, requests, consents, approvals or other communications (any of the foregoing, a "NOTICE") required, permitted, or desired to be given hereunder shall be in writing sent by telefax (with answer back acknowledged) or by registered or certified mail, postage prepaid, return receipt requested, or delivered by hand or reputable overnight courier addressed to the party to be so notified at its address hereinafter set forth, or to such other address as such party may hereafter specify in accordance with the provisions of this Section 10.6. Any Notice shall be deemed to have been received: (a) three (3) days after the date such Notice is mailed, (b) on the date of sending by telefax if sent during business hours on a Business Day (otherwise on the next Business Day), (c) on the date of delivery by hand if delivered during business hours on a Business Day (otherwise on the next Business Day), and (d) on the next Business Day if sent by an overnight commercial courier, in each case addressed to the parties as follows:

If to Agent: HVB Real Estate
622 Third Avenue
New York, New York 10017
Attention: Mr. Robert Dowling
Facsimile No. (212) 672-5527

with a copy to: Cadwalader, Wickersham & Taft
100 Maiden Lane
New York, New York 10038
Attention: John M. Zizzo, Esq.
Facsimile No. (212) 504-6666

If to Lenders: at their respective addresses set
forth in the Loan Agreement

If to Guarantor: Vornado Realty, L.P.
888 Seventh Avenue
New York, New York 10019
Attention: Chief Financial Officer
Facsimile No.: (212) 894-7070

With a copy to: Sullivan & Cromwell
125 Broad Street
New York, New York 10004
Attention: Gary Israel, Esq.
Facsimile No.: (212) 558-3588

6.3 GOVERNING LAW; SUBMISSION TO JURISDICTION. This Guaranty shall be governed by and construed in accordance with the laws of the State of New York and the applicable laws of the United States of America. Any legal suit, action or proceeding against

Agent and/or Lenders or Guarantor arising out of or relating to this Guaranty may at Agent's and/or Lenders' option 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 Guarantor 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 Guarantor hereby irrevocably submits to the jurisdiction of any such court in any suit, action or proceeding. Guarantor does hereby designate and appoint:

Vornado Realty Trust
888 Seventh Avenue
New York, New York 10019

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.

6.4 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.

6.5 AMENDMENTS. This Guaranty may be amended only by an instrument in writing executed by the party or an authorized representative of the party against whom such amendment is sought to be enforced.

6.6 PARTIES BOUND; ASSIGNMENT; JOINT AND SEVERAL. This Guaranty shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives; provided, however, that Guarantor may not, without the prior written consent of Lenders, assign any of its rights, powers, duties or obligations hereunder. If Guarantor consists of more than one person or party, the obligations and liabilities of each such person or party shall be joint and several.

6.7 HEADINGS. Section headings are for convenience of reference only and shall in no way affect the interpretation of this Guaranty.

6.8 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.

6.9 COUNTERPARTS. To facilitate execution, this Guaranty may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature

of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this Guaranty to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.

6.10 RIGHTS AND REMEDIES. If Guarantor becomes liable for any indebtedness owing by Borrower to Lenders, 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 Agent and Lenders hereunder shall be cumulative of any and all other rights that Agent and/or Lenders may ever have against Guarantor. The exercise by Agent 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.

6.11 ENTIRETY. THIS GUARANTY EMBODIES THE FINAL, ENTIRE AGREEMENT OF GUARANTOR, AGENT AND LENDERS 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, AGENT AND LENDERS AS A FINAL AND COMPLETE EXPRESSION OF THE TERMS OF THE GUARANTY, AND NO COURSE OF DEALING BETWEEN GUARANTOR, AGENT AND LENDERS, 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 BETWEEN GUARANTOR, AGENT AND LENDERS.

6.12 WAIVER OF RIGHT TO TRIAL BY JURY. GUARANTOR HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS GUARANTY, THE NOTE, THE MORTGAGE, THE LOAN AGREEMENT, OR THE OTHER LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY GUARANTOR, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. AGENT IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY GUARANTOR.

6.13 INTENTIONALLY OMITTED.

6.14 REINSTATEMENT IN CERTAIN CIRCUMSTANCES. If at any time any payment of any 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, the Guarantor's obligations hereunder with respect to such payment shall be reinstated as though such payment has been due but not made at such time.

[NO FURTHER TEXT ON THIS PAGE]

EXECUTED as of the day and year first above written.

GUARANTOR:

VORNADO REALTY L.P.,
a Delaware limited partnership

By: Vornado Realty Trust,
a Maryland business trust

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President-
Finance and Administration

GUARANTY OF CARRY OBLIGATIONS

THIS GUARANTY (this "GUARANTY") is executed as of July 3, 2002 by ALEXANDER'S, INC., a Delaware corporation (whether one or more collectively referred to as "GUARANTOR"), for the benefit of BAYERISCHE HYPO- UND VEREINSBANK AG, NEW YORK BRANCH, a German banking corporation organized under the laws of the Federal Republic of Germany, having an address at 622 Third Avenue, New York, New York 10017 ("HVB"), acting in its capacity as agent (HVB in such capacity, together with its successors and assigns in such capacity, "AGENT") for the ratable benefit of HVB, acting in its individual capacity, and any other co-lenders as may exist from time to time (collectively, with HVB, "LENDERS").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Building Loan Agreement, dated of even date herewith, between Borrower, Agent and Lenders (together with all extensions, renewals, modifications, substitutions and amendments thereof, the "BUILDING LOAN AGREEMENT"), Agent has agreed to administer and Lenders have agreed to make a building loan to 731 Commercial LLC and 731 Residential LLC, each a Delaware limited liability company (collectively, "BORROWER") in the principal amount of up to TWO HUNDRED MILLION and No/100 DOLLARS (\$200,000,000.00) (the "BUILDING LOAN"), which Loan is evidenced by one or more Consolidated, Amended and Restated Building Loan Mortgage Note(s), dated of even date herewith, executed by Borrower and payable to the order of Lenders according to their respective ratable shares of the Loan (collectively, together with all extensions, renewals, modifications, substitutions and amendments thereof, the "BUILDING LOAN NOTE");

WHEREAS, pursuant to that certain Supplemental Loan Agreement, dated of even date herewith, between Borrower, Agent and Lenders (together with all extensions, renewals, modifications, substitutions and amendments thereof, the "SUPPLEMENTAL LOAN AGREEMENT"), Agent has agreed to administer and Lenders have agreed to make a supplemental loan to Borrower in the principal amount of up to Two Hundred Fifteen Million Three Hundred Sixteen Thousand Eight Hundred Eighteen and No/100 Dollars (\$215,316,818) (the "SUPPLEMENTAL LOAN"), which Supplemental Loan will be evidenced by one or more Consolidated, Amended and Restated Supplemental Mortgage Loan Note(s), made by Borrower and payable to the order of Lenders according to their respective ratable shares of the Loan (collectively, together with all extensions, renewals, modifications, substitutions and amendments thereof, the "SUPPLEMENTAL LOAN NOTE");

WHEREAS, pursuant to that certain Project Loan Agreement, dated of even date herewith, between Borrower, Agent and Lenders (together with all extensions, renewals, modifications, substitutions and amendments thereof, the "PROJECT LOAN AGREEMENT" and together with the Building Loan Agreement and Supplemental Loan Agreement, collectively, the "LOAN AGREEMENT"), Agent has agreed to administer and Lenders have agreed to make a project loan to Borrower in the principal amount of up to Seventy Four Million Six Hundred Eight Three Thousand One Hundred Eighty Two and No/100 Dollars (\$74,683,182) (the "PROJECT LOAN" and

together with the Building Loan and the Supplemental Loan, collectively, the "LOAN"), which Project Loan is evidenced by one or more Project Loan Mortgage Note(s), made by Borrower and payable to the order of Lenders according to their respective ratable shares of the Loan (collectively, together with all extensions, renewals, modifications, substitutions and amendments thereof, the "PROJECT LOAN NOTE" and together with the Building Loan Note and the Supplemental Loan Note, collectively, the "NOTE");

WHEREAS, Lenders are not willing to make the Loan, or otherwise extend credit, to Borrower unless Guarantor unconditionally guarantees payment and performance to Lenders of the Guaranteed Obligations (as herein defined); and

WHEREAS, Guarantor is the owner of a direct or indirect interest in Borrower, and Guarantor will directly benefit from Lenders making the Loan to Borrower.

NOW, THEREFORE, as an inducement to Lenders to make the Loan to Borrower and to extend such additional credit as Lenders may from time to time agree to extend under the Loan Documents, and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

ARTICLE I

NATURE AND SCOPE OF GUARANTY

1.1 GUARANTY OF OBLIGATION. Guarantor hereby irrevocably, absolutely and unconditionally guarantees to Agent and Lenders and their respective 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.

1.2 DEFINITIONS. The following terms shall have the respective meanings set forth below. All other capitalized terms used herein and not otherwise defined, shall have the respective meanings assigned to them in the Building Loan Agreement.

"CARRYING COSTS" shall mean, with respect to the period in question, all customary or necessary costs and expenses incurred in connection with the operation, maintenance and management of the Property, including, without limitation, any and all accrued and unpaid interest on the Loan, Insurance Premiums, Taxes and Other Charges, charges for utilities, repair, replacement and all other maintenance costs and expenses, equipment lease payments, management fees, professional fees, accounting fees, advertising expenses, salaries, fringe and other benefits due to all employees engaged in the operation, maintenance or management of the Property, payroll and related taxes and any and all other Operating Expenses, but only to the extent that the foregoing costs and expenses exceed the respective undisbursed amounts (taking into consideration the assumptions made in the Loan Budget for the total period of time over which such Line Items were budgeted) set forth in the related Line Items for such

costs and expenses in the Loan Budget. Carrying Costs shall not include any construction costs incurred in connection with the construction of the improvements at the Property.

"GUARANTEED OBLIGATIONS" shall mean the prompt and unconditional payment by Borrower of the following: (i) any and all Carry Costs when due until the earliest to occur of (A) the date when each of the conditions set forth in Section 2.1.5(b)(vi) and (vii) of the Building Loan Agreement have been satisfied, (B) the date that title to the Property is sold pursuant to a foreclosure sale or that title to the Property is acquired by Agent (acting on behalf of Lenders) or its nominee or designee pursuant to a deed-in-lieu of foreclosure and (C) the date that is two (2) years after the date of any Tender; (ii) all amounts that become due and payable pursuant to Section 2.2.7 of the Loan Agreement; and (iii) any sums payable by Borrower to the Counterparty under the Interest Rate Protection Agreement in connection with any termination thereof.

"OFFICER'S CERTIFICATE" shall mean a certificate delivered to Agent by Guarantor which is signed by an authorized senior officer of Guarantor (without recourse to said officer).

"PERMITTED GUARANTOR DEFENSE" shall mean, with respect to the Guarantor, the defense of payment or the defense that Lenders failed to fund the Loan in accordance with the Loan Agreements, in either case, to the extent such defense is available to Borrower.

"TENDER" shall mean, with respect to the Property, that (i) Guarantor shall have delivered to Agent (acting on behalf of Lenders) a bargain and sale deed (without covenants against Grantor's acts), duly authorized and properly executed and acknowledged in proper form for recording with the City Register's Office, New York County, together with (A) any and all transfer tax returns duly executed by Borrower, (B) tender of proper payment of any and all transfer taxes that would be due if Agent accepts such deed, (C) a title insurance commitment in favor of Agent committing to insure Agent or its nominee if it accepts such deed for the amount of the Loan and (D) payment of all insurance premiums for the issuance of a title policy pursuant to such commitment if such deed is accepted; (ii) such deed shall convey to Agent (acting on behalf of Lenders) good and marketable title to the Property subject only to the Permitted Encumbrances, (iii) there shall be no Hazardous Substances (as such term is defined in the Environmental Indemnity) at the Property other than as expressly permitted by the Loan Documents, (iv) Guarantor shall have delivered to Agent (acting on behalf of Lenders) a bill of sale, duly authorized and properly executed, conveying to Agent (acting on behalf of Lenders) good and marketable title to all personal property included within the definition of Property including any and all Stored Materials and (v) Guarantor shall have delivered to Agent (acting on behalf of Lenders) an assignment of contracts, licenses and permits, duly authorized and properly executed, which outrightly assigns to Agent (acting on behalf of Lenders) all of the contracts, licenses and permits collaterally assigned pursuant to the Assignment of Contracts, including, without limitation, the 421-a Negotiable Certificates and the Existing Development Rights and Additional Development Rights.

1.3 NATURE OF GUARANTY. (a) This Guaranty is an irrevocable, unconditional, 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.

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 Lenders with respect to the Guaranteed Obligations. This Guaranty may be enforced by Agent on behalf of Lenders and any subsequent holder of the Note and shall not be discharged by the assignment or negotiation of all or part of the Note.

1.4 GUARANTEED OBLIGATIONS NOT REDUCED BY OFFSET. The Guaranteed Obligations and the liabilities and obligations of Guarantor to Agent and Lenders hereunder shall not be reduced, discharged or released because or by reason of any existing or future offset, claim or defense (other than any Permitted Guarantor Defense) of Borrower or any other party against Agent and/or Lenders or against payment of the Guaranteed Obligations, whether such offset, claim or defense arises in connection with the Guaranteed Obligations (or the transactions creating the Guaranteed Obligations) or otherwise.

1.5 PAYMENT BY GUARANTOR. If all or any part of the Guaranteed Obligations shall not be punctually paid when due, Guarantor shall, within ten (10) Business Days after demand by Agent 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, pay in lawful money of the United States of America, the amount due on the Guaranteed Obligations to Agent at Agent'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. If the amount due on the Guaranteed Obligations is not paid to Agent as aforesaid within ten (10) Business Days after demand by Agent, the same shall bear interest at the Default Rate from the date of demand until the date the amount demanded has been paid (which interest shall be included within the meaning of Guaranteed Obligations).

1.6 NO DUTY TO PURSUE OTHERS. It shall not be necessary for Agent or Lenders (and Guarantor hereby waives any rights which Guarantor may have to require Agent or Lenders), in order to enforce the obligations of Guarantor hereunder, first to (i) institute suit or exhaust its remedies against Borrower or others liable on the Loan or the Guaranteed Obligations or any other person, (ii) enforce Agent's or Lenders' rights against any collateral which shall ever have been given to secure the Loan, (iii) enforce Agent's or Lenders' rights against any other guarantors of the Guaranteed Obligations, (iv) join Borrower or any others liable on the Guaranteed Obligations in any action seeking to enforce this Guaranty, (v) exhaust any remedies available to Agent or Lenders against any collateral which shall ever have been given to secure the Loan, or (vi) resort to any other means of obtaining payment of the Guaranteed Obligations. Neither Agent nor any Lender shall be required to mitigate damages or take any other action to reduce, collect or enforce the Guaranteed Obligations.

1.7 WAIVERS. Guarantor agrees to the provisions of the Loan Documents and hereby waives notice of (i) any loans or advances made by Agent or Lenders to Borrower, (ii) acceptance of this Guaranty, (iii) any amendment or extension of the Note, the Mortgage, the Loan Agreement or of any other Loan Documents, (iv) the execution and delivery by Borrower, Agent and Lenders 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, (v) the occurrence of any breach by Borrower or an Event of Default, (vi) any Lender's transfer or disposition of the Guaranteed Obligations, or any part thereof, (vii) sale or foreclosure (or posting or advertising for sale or foreclosure) of any collateral for the Guaranteed Obligations, (viii) protest, proof of non-payment or default by Borrower, or (ix) any other action at any time taken or omitted by Agent or Lenders 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 the obligations hereby guaranteed.

1.8 PAYMENT OF EXPENSES. In the event that Guarantor should breach or fail to timely perform any provisions of this Guaranty, Guarantor shall, within five (5) Business Days after demand by Agent, pay Agent for all reasonable out-of-pocket costs and expenses (including reasonable court costs and attorneys' fees) incurred by Agent in the enforcement hereof or the preservation of Agent's and Lenders' rights hereunder. The covenant contained in this Section shall survive the payment and performance of the Guaranteed Obligations.

1.9 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, Lenders must rescind or restore any payment or any part thereof received by Lenders 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 Lenders or Agent on Lenders' behalf 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.

1.10 WAIVER OF SUBROGATION, REIMBURSEMENT AND CONTRIBUTION. Notwithstanding anything to the contrary contained in this Guaranty, Guarantor hereby unconditionally and irrevocably waives its rights to enforce any and all rights it may now or hereafter have under any agreement, at law or in equity (including, without limitation, any law subrogating the Guarantor to the rights of Agent and/or Lenders), 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, and subordinates any and all of such rights, in all cases, until the Loan is paid in full.

1.11 BORROWER. The term "BORROWER" as used herein 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 or any interest in Borrower.

ARTICLE II

EVENTS AND CIRCUMSTANCES NOT REDUCING
OR DISCHARGING GUARANTOR'S OBLIGATIONS

Guarantor hereby consents and agrees to each of the following and 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:

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 Agent and/or Lenders or any other parties pertaining to the Guaranteed Obligations or any failure of Agent or Lenders to notify Guarantor of any such action.

2.2 ADJUSTMENT. Any adjustment, indulgence, forbearance or compromise that might be granted or given by Lenders or Agent on its behalf to Borrower or any Guarantor.

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.

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 (i) the Guaranteed Obligations or any part thereof exceeds the amount permitted by law, (ii) the act of creating the Guaranteed Obligations or any part thereof is ultra vires, (iii) 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, (iv) the Guaranteed Obligations violate applicable usury laws, (v) the Borrower has valid defenses (other than any Permitted Guarantor Defense), claims or offsets (whether at law, in equity or by agreement) which render the Guaranteed Obligations wholly or partially uncollectible from Borrower, (vi) 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 (vii) 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 (other than any Permitted Guarantor Defense).

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 Lenders will look to other parties to pay or perform the Guaranteed Obligations.

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.

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.

2.8 CARE AND DILIGENCE. The failure of Agent and/or Lenders or any other party 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 Agent and/or Lenders (i) to take or prosecute any action for the collection of any of the Guaranteed Obligations or (ii) to foreclose, or initiate any action to foreclose, or, once commenced, prosecute to completion any action to foreclose upon any security therefor, or (iii) to take or prosecute any action in connection with any instrument or agreement evidencing or securing all or any part of the Guaranteed Obligations.

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.

2.10 OFFSET. The fact that the Note, the Guaranteed Obligations and the liabilities and obligations of the Guarantor to Lenders 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 any Permitted Guarantor Defense) of Borrower against Agent and/or Lenders, or any other party, or against payment of the Guaranteed Obligations, whether such right of offset, claim or defense (other than any Permitted Guarantor Defense) arises in connection with the Guaranteed Obligations (or the transactions creating the Guaranteed Obligations) or otherwise.

2.11 MERGER. The reorganization, merger or consolidation of Borrower into or with any other Person.

2.12 PREFERENCE. Any payment by Borrower to Agent and/or Lenders is held to constitute a preference under bankruptcy laws or for any reason Lenders are required to refund such payment or pay such amount to Borrower or someone else.

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 (other than actions that constitute Permitted Guarantor Defenses), 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 AND WARRANTIES

To induce Agent to enter into the Loan Documents and Lenders to enter into the Loan Agreement and extend credit to Borrower, Guarantor represents and warrants to Agent and Lenders as follows:

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.

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.

3.3 NO REPRESENTATION BY LENDERS. Neither Agent nor Lenders nor any other party has made any representation, warranty or statement to Guarantor in order to induce the Guarantor to execute this Guaranty.

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 will be solvent and has and will have assets which, fairly valued, exceed its obligations, liabilities (including contingent liabilities) and debts, and has and will have property and assets sufficient to satisfy and repay its obligations and liabilities.

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 in any material respect (or an event which with notice or lapse of time or both would constitute a default in any material respect) under, or result in the breach in any material respect of, any indenture, mortgage, charge, lien, or any material 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.

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.

3.7 LITIGATION. There is no action, suit, proceeding or investigation 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 Agreement, (ii) materially and adversely affect the value of its property, (iii) impair the use and operation of its property or (iv) impair Guarantor's ability to pay its obligations in a timely manner.

3.8 NO PLAN ASSETS. As of the date hereof and throughout the term of the Loan (a) Guarantor is not and will not be an "employee benefit plan," as defined in Section 3(3) of ERISA, subject to Title I of ERISA, (b) none of the assets of Guarantor constitutes or will constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3 101, (c) Guarantor is not and will not be a "governmental plan" within the meaning of Section 3(32) of ERISA and (d) transactions by or with Guarantor are not and will not be subject to state statutes regulating investment of, and fiduciary obligations with respect to, governmental plans.

3.9 FINANCIAL AND OTHER INFORMATION. All financial data that have been delivered to Agent and/or Lenders in respect of Guarantor (i) are true, complete and correct in all material respects as of the date of the statements containing such data, (ii) accurately represent the financial condition of Guarantor as of the date of such reports, and (iii) have been prepared in accordance with GAAP throughout the periods covered, except as disclosed therein. Guarantor 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 are known to Guarantor and reasonably likely to have a materially adverse effect on Guarantor, except as referred to or reflected in said financial statements. Since the date of the financial statements, there has been no material adverse change in the financial condition, operations or business of Guarantor from that set forth in said financial statements. All documents furnished to Agent and/or Lenders by or on behalf of Guarantor, as part of or in support of the Loan application or pursuant to this Guaranty or any of the other Loan Documents, are true, correct,

complete in all material respects and accurately represent the matters to which they pertain as of the dates made and there have been no materially adverse changes with respect to such matters since the respective dates thereof.

3.10 TAX FILINGS. Guarantor has filed (or has obtained effective extensions for filing) any federal, state and local tax returns required to be filed and has paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments payable by Guarantor.

3.11 SURVIVAL. All representations and warranties made by Guarantor herein shall survive the execution hereof.

ARTICLE IV

COVENANTS

4.1 FINANCIAL REPORTING. (a) Guarantor shall keep and maintain or will cause to be kept and maintained proper and accurate books and records, in accordance with GAAP, reflecting the financial affairs of Guarantor. Agent shall have the right during the continuance of an Event of Default from time to time during normal business hours upon reasonable notice to Guarantor to examine such books and records at the office of Guarantor or other Person maintaining such books and records and to make such copies or extracts thereof as Agent shall desire.

(b) Guarantor shall furnish Agent annually, within ninety days following the end of each Fiscal Year, a complete copy of Guarantor's annual financial statements audited by a nationally recognized accounting firm (other than Arthur Andersen) and prepared in accordance with GAAP, including, without limitation, statements of (i) balance sheet, (ii) income and expense and (iii) cash flow for such Borrower, together with a copy of Guarantor's Form 10K.

(c) Guarantor shall furnish Agent quarterly, within forty five days following the end of each quarter (other than the fourth quarter), unaudited, quarterly financial statements for Guarantor, including, without limitation, quarterly and year to date statements of (i) balance sheet, (ii) income and expense and cash flow for Guarantor, with a balance sheet for Guarantor prepared in accordance with GAAP, together with a copy of Guarantor's Form 10Q.

(d) Guarantors' financial statements delivered pursuant to Section 4.1(b) and (c) shall be accompanied by an Officer's Certificate stating that (A) to the best knowledge of the Person executing such Officer's Certificate, such financial statements present fairly, in all respects, the financial condition and the results of operations of Guarantor and (B) setting forth Guarantor's calculation of its Net Worth.

4.2 FINANCIAL COVENANTS. At all times during the term of the Loan, Guarantor shall maintain a market equity capitalization of not less than Thirty-Five Million and No/100 (\$35,000,000.00) Dollars as of the last day of each fiscal quarter during the term of the Loan.

4.3 INTENTIONALLY OMITTED.

4.4 INTENTIONALLY OMITTED.

4.5 PRINCIPAL PLACE OF BUSINESS. Guarantor shall not change its chief executive office or chief place of business, which as of the date hereof is 888 Seventh Avenue, New York, New York 10019, without first giving Agent prompt prior notice.

4.6 ERISA. (a) As used herein, "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

(b) Guarantor shall deliver to Agent such certifications or other evidence from time to time throughout the term of the Loan, as requested by Agent, that (A) Guarantor is not and will not be an "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, or a "governmental plan" within the meaning of Section 3(32) of ERISA; (B) Guarantor is not subject to state statutes regulating investments and fiduciary obligations with respect to governmental plans; and (C) one or more of the following circumstances is true:

(i) Equity interests in Guarantor are publicly offered securities, within the meaning of 29 C.F.R. Section 2510.3-101(b)(2);

(ii) Less than twenty-five percent (25%) of each outstanding class of equity interests in Guarantor are held by "benefit plan investors" within the meaning of 29 C.F.R. Section 2510.3-101(f)(2); or

(iii) Guarantor qualifies as an "operating company" or a "real estate operating company" within the meaning of 29 C.F.R. Section 2510.3-101(c) or (e).

4.7 ASSIGNMENT AND PARTICIPATIONS. Guarantor agrees to execute, within ten (10) days after request therefor is made by Agent, any documents and/or estoppel certificates reasonably requested by Agent in connection with any participation or assignment made by any Lender pursuant to Section 10.24 of the Building Loan Agreement, without charge; provided that such documents and/or estoppel certificates do not expand the liability or obligations of Guarantor or reduce such assignee's or participant's obligations.

ARTICLE V

SUBORDINATION OF CERTAIN INDEBTEDNESS

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. After the occurrence of an Event of Default or during a Cash Trap Period (except as otherwise expressly permitted pursuant to Section 4.2.12 of the Building Loan Agreement), Guarantor shall not receive or collect, directly or indirectly, from Borrower any amount upon the Guarantor Claims until (i) the Loan has been paid in full or such Event of Default has been cured or waived in writing by Agent on behalf of Lenders and (ii) such Cash Trap Period no longer continues.

5.2 CLAIMS IN BANKRUPTCY. In the event of receivership, bankruptcy, reorganization, arrangement, debtor's relief, or other insolvency proceedings involving Guarantor as debtor, Agent 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 Guarantor Claims. Guarantor hereby assigns such dividends and payments to Agent for the benefit of Lenders. Should Agent receive, for application against the Guaranteed Obligations, any such 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 Agent in full of the Guaranteed Obligations, Guarantor shall become subrogated to the rights of Lenders to the extent that such payments to Agent 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 Agent had not received dividends or payments upon the Guarantor Claims.

5.3 PAYMENTS HELD IN TRUST. In the event that, notwithstanding anything to the contrary in this Guaranty, during the continuance of an Event of Default or a Cash Trap Period. Guarantor should receive any funds, payment, claim or distribution from Borrower which is prohibited by this Guaranty or the Loan Agreement, Guarantor agrees to hold in trust for Agent 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 or distributions so received except to pay them promptly to Agent, and Guarantor covenants promptly to pay the same to Agent.

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 Agent or Lenders presently exist or are hereafter created or attach. Until Lenders have been paid in full, without the prior written consent of Agent, Guarantor shall not (i) exercise or enforce any creditor's right it may have against Borrower, or (ii) 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, mortgage, deeds of trust, security interests, collateral rights, judgments or other encumbrances on assets of Borrower held by Guarantor.

ARTICLE VI

MISCELLANEOUS

6.1 WAIVER. No failure to exercise, and no delay in exercising, on the part of Agent and/or Lenders, 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 Agent and Lenders hereunder shall be in addition to all other rights provided by law. No modification or waiver of any provision of this Guaranty, nor consent to 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.

6.2 NOTICES. All notices, demands, requests, consents, approvals or other communications (any of the foregoing, a "NOTICE") required, permitted, or desired to be given hereunder shall be in writing sent by telefax (with answer back acknowledged) or by registered or certified mail, postage prepaid, return receipt requested, or delivered by hand or reputable overnight courier addressed to the party to be so notified at its address hereinafter set forth, or to such other address as such party may hereafter specify in accordance with the provisions of this Section 10.6. Any Notice shall be deemed to have been received: (a) three (3) days after the date such Notice is mailed, (b) on the date of sending by telefax if sent during business hours on a Business Day (otherwise on the next Business Day), (c) on the date of delivery by hand if delivered during business hours on a Business Day (otherwise on the next Business Day), and (d) on the next Business Day if sent by an overnight commercial courier, in each case addressed to the parties as follows:

If to Agent: HVB Real Estate
 622 Third Avenue
 New York, New York 10017
 Attention: Mr. Robert Dowling
 Facsimile No. (212) 672-5527

with a copy to: Cadwalader, Wickersham & Taft
 100 Maiden Lane
 New York, New York 10038
 Attention: John M. Zizzo, Esq.
 Facsimile No. (212) 504-6666

If to Lenders: at their respective addresses set
 forth in the Loan Agreement

If to Guarantor: Alexander's, Inc.
888 Seventh Avenue
New York, New York 10019
Attention: Chief Executive Officer
Facsimile No.:

With a copy to: Proskauer Rose LLP
1585 Broadway
New York, New York 10036
Attention: Lawrence J. Lipson, Esq.
Facsimile No.: (212) 969-2900

6.3 GOVERNING LAW; SUBMISSION TO JURISDICTION. This Guaranty shall be governed by and construed in accordance with the laws of the State of New York and the applicable laws of the United States of America. Any legal suit, action or proceeding against Agent and/or Lenders or Guarantor arising out of or relating to this Guaranty may at Agent's and/or Lenders' option 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 Guarantor 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 Guarantor hereby irrevocably submits to the jurisdiction of any such court in any suit, action or proceeding. Guarantor does hereby designate and appoint:

Proskauer Rose LLP
1585 Broadway
New York, New York 10036
Attention: Lawrence J. Lipson, Esq.

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.

6.4 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.

6.5 AMENDMENTS. This Guaranty may be amended only by an instrument in writing executed by the party or an authorized representative of the party against whom such amendment is sought to be enforced.

6.6 PARTIES BOUND; ASSIGNMENT; JOINT AND SEVERAL. This Guaranty shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives; provided, however, that Guarantor may not, without the prior written consent of Lenders, assign any of its rights, powers, duties or obligations hereunder. If Guarantor consists of more than one person or party, the obligations and liabilities of each such person or party shall be joint and several.

6.7 HEADINGS. Section headings are for convenience of reference only and shall in no way affect the interpretation of this Guaranty.

6.8 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.

6.9 COUNTERPARTS. To facilitate execution, this Guaranty may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this Guaranty to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.

6.10 RIGHTS AND REMEDIES. If Guarantor becomes liable for any indebtedness owing by Borrower to Lenders, 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 Agent and Lenders hereunder shall be cumulative of any and all other rights that Agent and/or Lenders may ever have against Guarantor. The exercise by Agent 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.

6.11 ENTIRETY. THIS GUARANTY EMBODIES THE FINAL, ENTIRE AGREEMENT OF GUARANTOR, AGENT AND LENDERS 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, AGENT AND LENDERS AS A FINAL AND COMPLETE EXPRESSION OF THE TERMS OF THE GUARANTY, AND NO COURSE OF DEALING BETWEEN GUARANTOR, AGENT AND LENDERS, 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 BETWEEN GUARANTOR, AGENT AND LENDERS.

6.12 WAIVER OF RIGHT TO TRIAL BY JURY. GUARANTOR HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS GUARANTY, THE NOTE, THE MORTGAGE, THE LOAN AGREEMENT, OR THE OTHER LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY GUARANTOR, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. AGENT IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY GUARANTOR.

6.13 INTENTIONALLY OMITTED.

6.14 REINSTATEMENT IN CERTAIN CIRCUMSTANCES. If at any time any payment of any 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, the Guarantor's obligations hereunder with respect to such payment shall be reinstated as though such payment has been due but not made at such time.

[NO FURTHER TEXT ON THIS PAGE]

EXECUTED as of the day and year first above written.

GUARANTOR:

ALEXANDER'S, INC.,
a Delaware corporation

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President-
Finance and Administration

ENVIRONMENTAL INDEMNITY AGREEMENT

ENVIRONMENTAL INDEMNITY AGREEMENT (this "AGREEMENT") made as of the 3rd day of July 2002 by 731 COMMERCIAL LLC and 731 RESIDENTIAL LLC, each a Delaware limited liability company, having an office at c/o Alexander's, Inc., 888 Seventh Avenue, New York, New York 10019 (together, "BORROWER"), and ALEXANDER'S, INC., a Delaware corporation, having an office at 888 Seventh Avenue, New York, New York 10019 ("ALEXANDER'S", together with Borrower, "INDEMNITOR") in favor of BAYERISCHE HYPO-UND VEREINSBANK, AG, NEW YORK BRANCH ("HVB"), a bank organized under the laws of the Federal Republic of Germany, having an office at 150 East 42nd Street, New York, New York 10017, as agent ("AGENT") for itself and other co-lenders as may exist from time to time (collectively, "LENDER", and together with Agent, "INDEMNITEE") and other Indemnified Parties (defined below).

RECITALS:

A. Lender is prepared to make a building loan (the "BUILDING LOAN") to Borrower in the principal amount of \$200,000,000.00 pursuant to a Loan Agreement of even date herewith between Borrower, Agent and Lender (as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time, the "BUILDING LOAN AGREEMENT"), which Building Loan is secured by, among other things, the Property (hereinafter defined). Capitalized terms not otherwise defined herein shall have the meaning set forth in the Building Loan Agreement.

B. Lender is also prepared to make a supplemental loan (the "SUPPLEMENTAL LOAN") to Borrower in the principal amount of \$215,316,818 pursuant to a certain Supplemental Loan Agreement of even date herewith between Borrower, Agent and Lender (as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time, the "SUPPLEMENTAL LOAN AGREEMENT") which Supplemental Loan is also secured by, among other things, the Property.

C. Lender is also prepared to make a project loan (the "PROJECT LOAN") to Borrower in the principal amount of \$74,683,182 pursuant to a certain Project Loan Agreement of even date herewith between Borrower, Agent and Lender (as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time, the "PROJECT LOAN AGREEMENT") which Project Loan is also secured by, among other things, the Property. The Building Loan Agreement, the Supplemental Loan Agreement and the Project Loan Agreement are hereinafter collectively called the "LOAN AGREEMENT" and the Building Loan, the Supplemental Loan and the Project Loan are hereinafter collectively called the "LOAN".

D. Lender is unwilling to make the Loan unless Indemnitor agrees to provide the indemnification, representations, warranties, covenants and other matters described in this Agreement for the benefit of the Indemnified Parties.

E. Indemnitor is entering into this Agreement to induce Indemnitee to make the Loan.

AGREEMENT

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Indemnitor hereby represents, warrants, covenants and agrees for the benefit of the Indemnified Parties as follows:

1. REPRESENTATIONS AND WARRANTIES. Except as otherwise disclosed on Schedule 1 hereto or as disclosed by that certain Phase I environmental report (or Phase II environmental report, if required) in respect of the Property delivered to Indemnitee (referred to below as the "ENVIRONMENTAL REPORT"), a copy of which has been provided to Indemnitee, (a) there are no Hazardous Substances (defined below) or underground storage tanks in, on, or under the Property, except those that are both (i) in compliance with all Environmental Laws (defined below) and with permits issued pursuant thereto and (ii) as of the date hereof, fully disclosed to Indemnitee in writing; (b) there are no past, present or threatened Releases (defined below) of Hazardous Substances in, on, under or from the Property which have not been fully remediated in accordance with Environmental Law; (c) there is no threat of any Release of Hazardous Substances migrating to the Property that would reasonably be expected to result in an adverse material effect; (d) there is no past or present non-compliance with Environmental Laws, or with permits issued pursuant thereto, in connection with the Property which has not been remediated in full in accordance with Environmental Law; (e) as of the date hereof, Indemnitor does not know of, and has not received, any written or oral notice or other communication from any Person (including but not limited to a governmental entity) relating to Hazardous Substances or Remediation (defined below) relating to the Property, or possible liability of any Person pursuant to any Environmental Law, other environmental conditions in connection with the Property, or any actual or potential administrative or judicial proceedings in connection with any of the foregoing; and (f) Indemnitor has truthfully provided to Indemnitee, in writing, any and all material written information relating to conditions in, on, under or from the Property that is known to Indemnitor and that is contained in files and records of Indemnitor, including but not limited to any reports relating to Hazardous Substances in, on, under or from the Property and/or to the environmental condition of the Property.

2. COVENANTS. During the term of the Loan, Indemnitor covenants and agrees that: (a) all uses and operations on or of the Property, whether by Indemnitor or any other Person, shall be in compliance with all Environmental Laws and permits issued pursuant thereto in all material respects; (b) there shall be no Releases of Hazardous Substances in, on, under or from the Property; (c) there shall be no Hazardous Substances in, on, or under the Property, 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; (d) Indemnitor shall keep the Property 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 Paragraph 3 of this Agreement, including but not limited to providing all relevant information and making knowledgeable Persons under Indemnitor's control available for interviews; (f) in the event Indemnitee shall reasonably believe

that a Release of Hazardous Substances has occurred on, under or at the Property, Indemnitor shall, at its sole cost and expense, perform any environmental site assessment or other investigation of environmental conditions in connection with the Property, pursuant to any reasonable written request of Indemnitee (including but not limited to sampling, testing and analysis of soil, water, air, building materials, and other materials and substances whether solid, liquid or gas), and 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, provided, however, that unless an Event of Default exists or Indemnitee has a reasonable basis to believe a Release of Hazardous Substances exists or has occurred on, under, or at the Property, Indemnitor shall not be required to perform an environmental site assessment more often than once per twelve (12) month period; (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 Substance) in, on, under or from the Property but only to the extent required by applicable Environmental Law, (ii) materially comply with any Environmental Law; (iii) comply with any directive from any governmental authority; and (iv) take any other reasonable action necessary or appropriate for protection of human health or the environment; (h) Indemnitor shall not do or allow any tenant or other user of the Property to do any act that materially increases the dangers to human health or the environment, poses an unreasonable risk of harm to any Person (whether on or off the Property), impairs or is reasonably likely to impair the value of the Property in any material respect, is contrary to any requirement of any insurer, constitutes a public or private nuisance, constitutes waste, or violates any covenant, condition, agreement or easement applicable to the Property; and Indemnitor shall promptly notify Indemnitee in writing of (A) any presence or Releases or threatened Releases of Hazardous Substances of which Indemnitor has actual knowledge in, on, under, from or migrating towards the Property; (B) any non-compliance with any Environmental Laws in any way affecting the Property; (C) any actual Environmental Lien; (D) any required or proposed Remediation of environmental conditions relating to the Property; and (E) any written or oral notice or other communication received by any Indemnitor from any source whatsoever (including but not limited to a governmental entity) relating in any way to Hazardous Substances or Remediation thereof, possible liability of Indemnitor pursuant to any Environmental Law, other adverse environmental conditions in connection with the Property, or any actual administrative or judicial proceedings in connection with anything referred to in this Agreement provided, however, that as long as no Event of Default shall have occurred and be continuing, in all circumstances, Indemnitor shall have the right to defend against or challenge, using all lawful means, the imposition of any governmental directives or requirements or the imposition of any liability by any governmental authority or other Person, provided further that (i) as a condition to maintaining such challenge Indemnitor is required to deposit cash, a letter of credit or other reasonable security with Indemnitee in the amount of any such imposition; (ii) such challenge shall be permitted under and be conducted in accordance with all applicable statutes, laws and ordinances; and (iii) neither the Property nor any part thereof or interest therein will be in danger of being sold, forfeited, terminated, canceled or lost;

3. INDEMNIFIED RIGHTS/COOPERATION AND ACCESS. In the event the Indemnified Parties have a reasonable basis to believe that any Hazardous Substance exists on the Property that does not, in the reasonable discretion of the Indemnified Parties, endanger any tenants or other occupants of the Property or their guests or the general public or materially and adversely affects the value of the Property, upon reasonable notice from the Indemnitee,

Indemnitor shall, at Indemnitor's expense, promptly cause an engineer or consultant reasonably satisfactory to the Indemnified Parties to conduct any environmental assessment or audit, subject to the rights of Tenants under Leases at the Property (the scope of which shall be reasonably satisfactory to the Indemnified Parties) and take any samples of soil, groundwater or other water, air, or building materials or any other invasive testing requested by Indemnitee and promptly deliver 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 a reasonable basis to believe that any Hazardous Substance exists on the Property that, in the reasonable judgment of the Indemnified Parties, endangers any tenant or other occupant of the Property or their guests or the general public or may materially and adversely affect the value of the Property, upon reasonable notice to Indemnitor of not less than three (3) Business Days, 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, subject to the rights of Tenants under Leases at the Property, but not the obligation, to enter upon the Property at all reasonable times to assess any and all aspects of the environmental condition of the Property 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 using a nationally recognized environmental consultant reasonably acceptable to Indemnitor. Indemnitor shall cooperate with and provide the Indemnified Parties and any such Person designated by the Indemnified Parties with access to the Property.

4. INDEMNIFICATION. Indemnitor covenants and agrees, at its sole cost and expense, to protect, defend, indemnify, release and hold Indemnified Parties harmless from and against any and all Losses (defined below) 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 one or more of the following but excluding with respect to a specific Indemnified Party, any Losses arising out of the negligence, willful misconduct, illegal acts or fraud of any such Indemnified Party: (a) any presence of any Hazardous Substances in, on, above, or under the Property in violation of any applicable Environmental Laws; (b) any past, present or threatened Release of Hazardous Substances in, on, above, under or from the Property in violation of any applicable Environmental Laws; (c) any activity by Indemnitor, any Person affiliated with Indemnitor, and any tenant or other user of the Property in connection with any actual, proposed or threatened 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 Property of any Hazardous Substances at any time located in, under, on or above the Property in violation of any applicable Environmental Laws; (d) any activity by Indemnitor, any Person affiliated with Indemnitor, and any tenant or other user of the Property in connection with any actual or proposed Remediation of any Hazardous Substances in violation of any applicable Environmental Laws at any time located in, under, on or above the Property, including but not limited to any removal, remedial or corrective action; (e) any past, present or threatened non-compliance or violations of any Environmental Laws (or permits issued pursuant to any Environmental Law) in connection with the Property or operations thereon, including but not limited to any failure by Indemnitor, any Person affiliated with Indemnitor, and any tenant or other user of the Property to comply with any order of any

governmental authority in connection with any Environmental Laws; (f) the imposition, recording or filing or the threatened imposition, recording or filing of any Environmental Lien encumbering the Property; (g) any administrative processes or proceedings or judicial proceedings in any way connected with any environmental matter relating to the Property addressed in this Agreement; (h) any past, present or threatened injury to, destruction of or loss of natural resources in any way connected with the Property, including but not limited to costs to investigate and assess such injury, destruction or loss; (i) any acts of Indemnitor, any Person affiliated with Indemnitor, and any tenant or other user of the Property in arranging for disposal or treatment, or arranging with a transporter for transport for disposal or treatment, of Hazardous Substances at any facility or incineration vessel containing such or similar Hazardous Substances; (j) any acts of Indemnitor, any Person affiliated with any Indemnitor, and any tenant or other user of the Property in accepting any Hazardous Substances for transport to disposal or treatment facilities, incineration vessels or sites from which there is a Release, or a threatened Release of any Hazardous Substance which causes the incurrence of costs for Remediation; (k) any personal injury, wrongful death, or property or other damage arising under any statutory or common law or tort law theory with respect to any Hazardous Substances, including but not limited to damages assessed for private or public nuisance or for the conducting of an abnormally dangerous activity on or near the Property; and (l) 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.

5. DUTY TO DEFEND AND ATTORNEYS AND OTHER FEES AND EXPENSES. In case any Losses are imposed upon or incurred by or asserted against any Indemnified Parties in respect of which indemnification may be sought by such Indemnified Parties pursuant hereto, such Indemnified Parties shall give prompt written notice thereof to Indemnitor, which notice shall include all documents and information in the possession of or under the control of such Indemnified Parties relating to such Losses and shall specifically state that indemnification for such Losses is being sought pursuant this Agreement; provided, however, that the failure of such Indemnified Parties to so notify Indemnitor shall not limit or affect such Indemnified Parties' rights to be indemnified pursuant to this Agreement except to the extent Indemnitor is materially prejudiced by such failure. Upon receipt of such notice of Losses (together with such documents and information from such Indemnified Party), Indemnitor shall, at its sole cost and expense, in good faith defend any such Losses with counsel reasonably satisfactory to such Indemnified Parties (it being understood that counsel selected by Indemnitor's insurance carrier shall be deemed to be acceptable to such Indemnified Parties, provided such insurer is an acceptable insurer under the Loan Documents or otherwise was accepted by Indemnitee as an insurer), which counsel may, without limiting the rights of such Indemnified Parties pursuant to the next succeeding sentence of this Paragraph 5, also represent Indemnitor in such investigation, action or proceeding. In the alternative, such Indemnified Parties may elect to conduct their own defense through counsel of its own choosing and at the reasonable expense of Indemnitor, if (A) such Indemnified Parties reasonably determines that the conduct of their defense by Indemnitor could be materially prejudicial to its interests, (B) Indemnitor refuses to defend, or (C) Indemnitor shall have failed, in such Indemnified Parties' reasonable judgment, to defend the Losses in good faith (unless such Losses being defended by Indemnitor's insurance carrier, provided such insurer is an acceptable insurer under the Loan Documents or otherwise was accepted by Indemnitee as an insurer), and, at the option of such Indemnified Parties, their attorneys shall control the resolution of any claim or proceeding against the Indemnified Parties,

provided that no compromise or settlement shall be entered without Indemnitor's consent, which consent shall not be unreasonably withheld. Upon demand, Indemnitor shall pay or, in the sole and absolute discretion of the Indemnified Parties, reimburse, the Indemnified Parties for the payment of reasonable fees and disbursements of attorneys, engineers, environmental consultants, laboratories and other professionals in connection therewith.

6. DEFINITIONS. As used in this Agreement, the following terms shall have the following meanings:

The term "ENVIRONMENTAL LAW" means any present and future federal, state and local laws, statutes, treaties, ordinances, rules, orders, judgments, decrees, injunctions, permits, requirements or regulations, as well as common law, relating to protection of human health or the environment, relating to Hazardous Substances, relating to liability for or costs of other actual or threatened danger to human health or the environment.

The term "ENVIRONMENTAL LAW" includes, but is not limited to, the following statutes, as amended, any successor thereto, and any regulations promulgated pursuant thereto, and any state or local statutes, treaties, ordinances, rules, orders, judgments, decrees, injunctions permits, requirements or regulations addressing similar issues: the Comprehensive Environmental Response, Compensation and Liability Act; the Emergency Planning and Community Right-to-Know Act; the Hazardous Materials Transportation Act; the Resource Conservation and Recovery Act (including but not limited to Subtitle I relating to underground storage tanks); the Solid Waste Disposal Act; the Clean Water Act; the Clean Air Act; the Toxic Substances Control Act; the Safe Drinking Water Act; the Occupational Safety and Health Act; the Federal Water Pollution Control Act; the Federal Insecticide, Fungicide and Rodenticide Act; the Endangered Species Act; the National Environmental Policy Act; and the River and Harbors Appropriation Act. 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, as well as common law: which condition the transfer of property upon a negative declaration or other approval of a governmental authority of the environmental condition of the Property; require notification or disclosure of Releases of Hazardous Substances or other environmental condition of the Property to any Governmental Authority or other Person, whether or not in connection with transfer of title to or interest in property; impose conditions or requirements in connection with permits or other authorization for lawful activity; relate to nuisance, trespass or other causes of action related to the Property; and relate to wrongful death, personal injury, or property or other damage in connection with any physical condition or use of the Property.

The term "HAZARDOUS SUBSTANCES" means any and all substances (whether solid, liquid or gas) defined, listed, or otherwise classified or regulated as pollutants, hazardous wastes, hazardous substances, hazardous materials, extremely hazardous wastes, or words of similar meaning or regulatory effect under any present or future Environmental Laws or that may have a negative impact on human health or the environment, including but not limited to petroleum and petroleum products, asbestos and asbestos-containing materials, polychlorinated biphenyls, lead, radon, radioactive materials, flammables and explosives, but excluding substances of kinds and in amounts ordinarily and customarily used or stored in similar properties for the purposes of

cleaning or other maintenance or operations or the construction of a building and otherwise in compliance with all applicable Environmental Laws.

The term "INDEMNIFIED PARTIES" means Indemnitee, any Person who is or will have been involved in the origination of the Loan on behalf of Indemnitee, any Person who is or will have been involved with the servicing of the Loan on behalf of Indemnitee, 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 the respective directors, officers, shareholders, partners, 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 the Property, 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 Indemnitee's assets and business).

The term "LEGAL ACTION" means any claim, suit or proceeding, whether administrative or judicial in nature.

The term "LOSSES" means any losses, damages, costs, fees, expenses, claims, suits, judgments, awards, liabilities (including but not limited to strict liabilities), obligations, debts, diminutions in value, fines, penalties, charges, costs of Remediation, amounts paid in settlement, foreseeable and unforeseeable consequential damages, litigation costs, reasonable attorneys' fees, engineers' fees, environmental consultants' fees, and investigation costs (including but not limited to costs for sampling, testing and analysis of soil, water, air, building materials, and other materials and substances whether solid, liquid or gas), of whatever kind or nature, and whether or not incurred in connection with any Legal Action.

The term "RELEASE" with respect to any Hazardous Substance means any release, deposit, discharge, emission, leaking, leaching, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing or other movement of Hazardous Substances into the environment that is not in compliance with applicable Environmental Laws.

The term "REMEDIATION" means any response, remedial, removal, or corrective action required by any applicable Environmental Law; any activity to clean up, detoxify, decontaminate, contain or otherwise remediate any Hazardous Substance required by any applicable Environmental Law; any actions to prevent, cure or mitigate any Release of any Hazardous Substance required by any applicable Environmental Law; 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 Substances or to anything referred to herein.

The term "PROPERTY" means the Property listed on Exhibit A attached hereto.

7. 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 Note, the Loan Agreement,

the Mortgage or any other Loan Document to or with Indemnitee by Indemnitor or any Person who succeeds Indemnitor or any Person as owner of the Property. In addition, the liability of Indemnitor under this Agreement shall in no way be limited or impaired by (i) any extensions of time for performance required by the Note, the Loan Agreement, the Mortgage or any of the other Loan Documents, (ii) any sale or transfer of all or part of the Property, (iii) any exculpatory provision in the Note, the Loan Agreement, the Mortgage, or any of the other Loan Documents limiting Indemnitee's recourse to the Property or to any other security for the Note, or limiting Indemnitee's rights to a deficiency judgment against Indemnitor, (iv) the accuracy or inaccuracy of the representations and warranties made by Indemnitor under the Note, the Loan Agreement, the Mortgage or any of the other Loan Documents or herein, (v) 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 Loan Documents by operation of law, Indemnitee's voluntary act, or otherwise, (vi) the release or substitution in whole or in part of any security for the Note, or (vii) 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.

8. ENFORCEMENT. Indemnified Parties may enforce the obligations of Indemnitor without first resorting to or exhausting any security or collateral or without first having recourse to the Note, the Loan Agreement, the Mortgage, or any other Loan Documents or any of the Property, through foreclosure proceedings or otherwise; provided, however, that nothing herein shall inhibit or prevent Indemnitee 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 Borrower pursuant to the Loan, unless Indemnitee expressly elects in writing to make this Agreement additional collateral or security for the debt of Borrower pursuant to the Loan, which Indemnitee is entitled to do in its sole and absolute discretion. Unless otherwise specified, it is not necessary for an Event of Default to have occurred pursuant to and as defined in the Mortgage or the Loan Agreement for Indemnified Parties to exercise their rights pursuant to this Agreement. Indemnitor (but not its members or officers or Affiliates) is fully and personally liable for the obligations pursuant to this Agreement and such liability is not limited to the original or amortized principal balance of the Loan or the value of the Property.

9. SURVIVAL. The indemnity obligations and liabilities of Indemnitor under Section 4 of this Agreement shall 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.

10. INTEREST. Any amounts payable to any Indemnified Parties under this Agreement shall become immediately due and payable on demand and, if not paid within ten (10) days of such demand therefor, shall bear interest at the Default Rate.

11. WAIVERS.

(a) Indemnitor hereby (i) waives any right or claim of right to cause a marshaling of 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 which 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 which 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) relinquishes the right to assert a counterclaim, 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. Notwithstanding anything to the contrary contained herein, Indemnitor hereby agrees to postpone the exercise of any rights of subrogation with respect to any collateral securing the Loan until the Loan shall have been paid in full.

(b) INDEMNITOR AND, BY ITS ACCEPTANCE HEREOF, INDEMNITEE, EACH HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO THE LOAN EVIDENCED BY THE NOTE, THE APPLICATION FOR THE LOAN EVIDENCED BY THE NOTE, THE MORTGAGE, THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY ACTS OR OMISSIONS OF ANY INDEMNIFIED PARTIES IN CONNECTION THEREWITH.

12. 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 Substances at, in, on, under or near the Property 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.

13. INDEMNITOR'S REPRESENTATIONS AND WARRANTIES. Indemnitor represents and warrants that:

(a) 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; and all requisite action has been taken by Indemnitor to make this Agreement valid and binding upon Indemnitor, enforceable in accordance with its terms;

(b) its execution of, and compliance with, this Agreement is in the ordinary course of business of Indemnitor and will not result in the breach of any term or provision of the charter, by-laws, partnership or trust agreement, or other

governing instrument of Indemnitor or 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 Property is subject, or result in the violation of any law, rule, regulation, order, judgment or decree to which Indemnitor or the Property is subject;

(c) to the best of Indemnitor's knowledge, there is no action, suit, proceeding or investigation pending or threatened against it which, either in any one instance or in the aggregate, may result in any material adverse change in the business, operations, financial condition, properties or assets of Indemnitor, or in any material impairment of the right or ability of Indemnitor to carry on its business substantially as now conducted, or in any material liability on the part of Indemnitor, or which 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 contemplated herein, or which would be likely to impair materially the ability of Indemnitor to perform under the terms of this Agreement;

(d) it does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every covenant contained in this Agreement;

(e) to the best of Indemnitor's knowledge, 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 this Agreement; and

(f) this Agreement constitutes a valid, legal and binding obligation of Indemnitor, enforceable against it in accordance with the terms hereof.

14. NO WAIVER. 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.

15. NOTICE OF LEGAL ACTIONS. Each party hereto shall, within five (5) business days of receipt thereof, give written notice to the other party hereto of (i) any written notice, advice or other communication from any governmental entity or any source whatsoever with respect to Hazardous Substances on, from or affecting the Property, and (ii) any Legal Action brought against such party or related to the Property, with respect to which Indemnitor may have liability under this Agreement. Such notice shall comply with the provisions of Section 18 hereof.

16. EXAMINATION OF BOOKS AND RECORDS. Until Lender is repaid in full, at reasonable times and upon reasonable written notice to Indemnitor, Indemnified Parties and their accountants shall have the right to examine the records, books, management and other papers of Indemnitor which reflect upon its financial condition, at the Property or at the office regularly maintained by Indemnitor where the books and records are located. Indemnified Parties and their accountants 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, Indemnified Parties and their accountants shall have the right to examine and audit the books and records of Indemnitor pertaining to the income, expenses and operation of the Property during reasonable business hours at the office of Indemnitor where the books and records are located.

17. TAXES. Indemnitor has filed all federal, state, county, municipal, and city income and other tax returns required to have been filed by it and has paid all taxes and related liabilities which have become due pursuant to such returns or pursuant to any assessments received by it. Indemnitor has no knowledge of any basis for any additional assessment in respect of any such taxes and related liabilities for prior years.

18. NOTICES. All notices or other written communications hereunder shall be made in accordance with Section 10.6 of the Building Loan Agreement.

19. 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.

20. 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.

21. 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.

22. 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 Person comprising 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 written consent of Indemnitor. Each reference herein to Indemnitor shall be deemed to include its successors and assigns. This Agreement shall inure to the benefit of Indemnified Parties and their respective successors and assigns forever.

23. 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.

24. RIGHTS CUMULATIVE. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies which Indemnitor has under the Note, the

Mortgage, the Loan Agreement or the other Loan Documents or would otherwise have at law or in equity.

25. 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.

26. GOVERNING LAW. A. THIS AGREEMENT WAS NEGOTIATED IN THE STATE OF NEW YORK, AND MADE BY INDEMNITOR AND ACCEPTED BY INDEMNITEE 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 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 LAWS) AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA, EXCEPT THAT AT ALL TIMES THE PROVISIONS FOR THE CREATION, PERFECTION, AND ENFORCEMENT OF THE LIENS AND SECURITY INTERESTS CREATED PURSUANT HERETO AND PURSUANT TO THE OTHER LOAN DOCUMENTS WITH RESPECT TO THE PROPERTY SHALL BE GOVERNED BY AND CONSTRUED ACCORDING TO THE LAW OF THE STATE IN WHICH THE PROPERTY IS LOCATED, IT BEING UNDERSTOOD THAT, TO THE FULLEST EXTENT PERMITTED BY THE LAW OF SUCH STATE, THE LAW OF THE STATE OF NEW YORK SHALL GOVERN THE CONSTRUCTION, VALIDITY AND ENFORCEABILITY OF ALL LOAN DOCUMENTS AND ALL OF THE OBLIGATIONS ARISING HEREUNDER OR THEREUNDER. TO THE FULLEST EXTENT PERMITTED BY LAW, INDEMNITOR 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 AND THE 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.

B. ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST INDEMNITEE OR INDEMNITOR ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY AT INDEMNITEE'S OPTION 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 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 INDEMNITOR HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF

ANY SUCH COURT IN ANY SUIT, ACTION OR PROCEEDING. INDEMNITOR DOES HEREBY DESIGNATE AND APPOINT:

PROSKAUER ROSE LLP
1585 BROADWAY
NEW YORK, NEW YORK 10036
ATTENTION: LAWRENCE J. LIPSON, ESQ.

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 AUTHORIZED AGENT AT SAID ADDRESS AND WRITTEN NOTICE OF SAID SERVICE MAILED OR DELIVERED TO INDEMNITOR IN THE MANNER PROVIDED HEREIN SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON INDEMNITOR IN ANY SUCH SUIT, ACTION OR PROCEEDING IN THE STATE OF NEW YORK. INDEMNITOR (I) SHALL GIVE PROMPT NOTICE TO AGENT 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 AUTHORIZED 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.

27. MISCELLANEOUS.

(a) Wherever pursuant to this Agreement (i) Indemnitee exercises any right given to it approve or disapprove, (ii) any arrangement or term is to be satisfactory to Indemnitee, or (iii) any other decision or determination is to be made by Indemnitee, the decision of Indemnitee to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory and all other decisions and determinations made by Indemnitee, shall be in the sole and absolute discretion of Indemnitee and shall be final and conclusive, except as may be otherwise expressly and specifically provided herein.

(b) Wherever pursuant to this Agreement it is provided that Indemnitor pay any costs and expenses, such costs and expenses shall include, but not be limited to, legal fees and disbursements of Indemnitee, whether retained firms, the reimbursements for the reasonable expenses of the in-house staff or otherwise.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, this Agreement has been executed by Indemnitor and is effective as of the day and year first above written.

INDEMNITOR:

731 COMMERCIAL LLC, a Delaware limited liability company

By: 731 Commercial Holding LLC, member

By: Alexander's, Inc., member

By: /s/ Brian Kurtz

Name: Brian Kurtz
Title: Assistant Secretary

731 RESIDENTIAL LLC, a Delaware limited liability company

By: 731 Residential Holding LLC, member

By: Alexander's, Inc., member

By: /s/ Brian Kurtz

Name: Brian Kurtz
Title: Assistant Secretary

ALEXANDER'S, INC., a Delaware corporation

By /s/ Brian Kurtz

Name: Brian Kurtz
Title: Assistant Secretary

EXHIBIT A
DESCRIPTION OF PROPERTY

RESIDENTIAL PARCEL

ALL THAT CERTAIN volume of space, situate, lying and being in the Borough of Manhattan, County, City and State of New York, bounded and described as follows:

All that portion of the below described parcel lying between a lower horizontal plane drawn at elevation 512 feet 2 inches above the datum level used by the Topographical Bureau, Borough of Manhattan, which is 2 feet 9 inches above National Geodetic Survey Vertical Datum of 1929, mean sea level Sandy Hook, New Jersey and an upper horizontal plane drawn at 809 feet 2 inches above such datum level bounded and described as follows:

BEGINNING at a point distant 48 feet 8 inches north of the northerly line of East 58th Street and 30 feet 9 inches east of easterly line of Lexington Avenue;

RUNNING THENCE northerly, parallel with the easterly line of Lexington Avenue, 12 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 5 feet 10 inches;

THENCE northerly, parallel with the easterly line of Lexington Avenue, 78 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 5 feet 10 inches;

THENCE northerly, parallel with the easterly line of Lexington Avenue, 12 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 103 feet 6 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 35 feet 0 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 88 feet 6 inches;

THENCE, westerly, parallel with the northerly line of East 58th Street, 35 feet 0 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 103 feet 6 inches to the point or place of BEGINNING.

COMMERCIAL PARCEL

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, County of New York, City and State of New York, being more particularly bounded and described as follows:

BEGINNING at the corner formed by the intersection of the northerly line of East 58th Street with the easterly side of Lexington Avenue;

RUNNING THENCE northerly, along the easterly line of Lexington Avenue 200 feet 10 inches to the corner formed by the intersection of the southerly line of East 59th Street with the easterly line of Lexington Avenue;

THENCE easterly, along the southerly line of East 59th Street, 420 feet 0 inches to the corner formed by the intersection of the southerly line of East 59th Street with the westerly line of Third Avenue;

THENCE southerly, along the westerly line of Third Avenue, 200 feet 10 inches to the corner formed by the intersection of the northerly line of East 58th Street with the westerly line of Third Avenue;

THENCE westerly, along the northerly line of East 58th Street, 420 feet to the point or place of BEGINNING.

LESS AND EXCEPT:

All that portion of the below described parcel lying between a lower horizontal plane drawn at elevation 512 feet 2 inches above the datum level used by the Topographical Bureau, Borough of Manhattan, which is 2 feet 9 inches above National Geodetic Survey Vertical Datum of 1929, mean sea level Sandy Hook, New Jersey and an upper horizontal plane drawn at 809 feet 2 inches above such datum level bounded and described as follows:

BEGINNING at a point distant 48 feet 8 inches north of the northerly line of East 58th Street and 30 feet 9 inches east of easterly line of Lexington Avenue;

RUNNING THENCE northerly, parallel with the easterly line of Lexington Avenue, 12 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 5 feet 10 inches;

THENCE northerly, parallel with the easterly line of Lexington Avenue, 78 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 5 feet 10 inches;

THENCE northerly, parallel with the easterly line of Lexington Avenue, 12 feet 6 inches

THENCE easterly, parallel with the northerly line of East 58th Street, 103 feet 6 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7 feet 6 inches;

THENCE easterly, parallel with the northerly line of East 58th Street, 35 feet 0 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 88 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 35 feet 0 inches;

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7 feet 6 inches;

THENCE westerly, parallel with the northerly line of East 58th Street, 103 feet 6 inches to the point or place of BEGINNING.

A-3

SCHEDULE 1
EXCEPTIONS TO REPRESENTATIONS AND WARRANTIES

None

Sch-1

REIMBURSEMENT AGREEMENT

Dated as of July 3, 2002

By and among

ALEXANDER'S, INC.,
731 COMMERCIAL LLC,
731 RESIDENTIAL LLC

and

VORNADO REALTY L.P.

TABLE OF CONTENTS

	Page

ARTICLE I	
DEFINITIONS AND ACCOUNTING TERMS	
SECTION 1.01. Certain Defined Terms.....	4
SECTION 1.02. Computation of Time Periods.....	12
SECTION 1.03. Accounting Terms.....	12
ARTICLE II	
GUARANTIES	
SECTION 2.01. Issuance of Guaranties.....	12
SECTION 2.02. Reimbursement Obligation.....	12
SECTION 2.03. Interest.....	12
SECTION 2.04. Fees and Commissions.....	13
SECTION 2.05. Payments.....	13
SECTION 2.06. Use of Guaranties.....	13
SECTION 2.07. Subrogation Rights.....	13
ARTICLE III	
LOANS	
SECTION 3.01. The Loans.....	14
SECTION 3.02. Repayment.....	14
SECTION 3.03. Prepayments.....	14
SECTION 3.04. Interest.....	14
SECTION 3.05. Intentionally Omitted.....	15
SECTION 3.06. Increased Costs.....	15
SECTION 3.07. Payments and Computations.....	15
SECTION 3.08. Taxes.....	17
SECTION 3.09. Payment of Certain Costs and Expenses.....	18
SECTION 3.10. Use of Proceeds.....	18
SECTION 3.12. Extension of Loan Commitment Period and Maturity Date..	18
SECTION 3.13. Joint and Several Obligations.....	18
ARTICLE IV	
CONDITIONS	
SECTION 4.01. Conditions Precedent to Issuing the Guaranties.....	18
SECTION 4.02. Conditions Precedent to Making a Loan.....	19
ARTICLE V	
REPRESENTATIONS AND WARRANTIES	
SECTION 5.01. Representations and Warranties of Alexander's.....	20

ARTICLE VI

COVENANTS

SECTION 6.01. Affirmative Covenants of Alexander's.....	23
SECTION 6.02. Negative Covenants.....	27
SECTION 6.03. Reporting Requirements.....	31
SECTION 6.04. Covenants of Vornado.....	33

ARTICLE VII

SPECIAL PROVISIONS

SECTION 7.01. Condemnation and Casualty.....	34
SECTION 7.02. Payment of REIT Dividends.....	35
SECTION 7.03. [Intentionally Omitted].....	35

ARTICLE VIII

EVENTS OF DEFAULT

SECTION 8.01. Events of Default.....	36
--------------------------------------	----

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Amendments, Etc.....	38
SECTION 9.02. Notices, Etc.....	38
SECTION 9.03. No Waiver; Remedies.....	39
SECTION 9.04. Costs, Expenses.....	39
SECTION 9.05. Merger.....	41
SECTION 9.06. Binding Effect.....	41
SECTION 9.07. Vornado's Discretion.....	41
SECTION 9.08. Participations.....	41
SECTION 9.10. Execution in Counterparts.....	42
SECTION 9.11. Waiver of Jury Trial.....	42
SECTION 9.12. Jurisdiction.....	42
SECTION 9.13. Continuing Enforcement.....	43

Schedule I - Properties	
Exhibit A - Completion Guaranty	
Exhibit B - Limited Recourse Guaranty	
Exhibit C - Form of Guaranty	
Exhibit D - Form of Mortgage	
Exhibit E - Form of Note	

REIMBURSEMENT AGREEMENT

This REIMBURSEMENT AGREEMENT is dated as of July 3, 2002 (this "Agreement"), and is made by and among ALEXANDER'S, INC., a Delaware corporation ("Alexander's"), 731 COMMERCIAL LLC, a Delaware limited liability company ("731 Commercial Sub"), 731 RESIDENTIAL LLC, a Delaware limited liability company ("731 Residential Sub"), and VORNADO REALTY L.P., a Delaware limited partnership ("Vornado"). Alexander's, 731 Commercial Sub and 731 Residential Sub are sometimes referred to herein individually as an "Obligor" and sometimes are referred to herein collectively as the "Obligors."

WHEREAS: On the date hereof, 731 Commercial Sub and 731 Residential Sub are entering into that certain Building Loan Agreement, dated as of July 3, 2002 (the "Building Loan Agreement"), by and among 731 Commercial Sub, 731 Residential Sub and Bayerische Hypo-und Vereinsbank, AG as agent for itself and the other lenders named therein (the "Bank"), that certain Project Loan Agreement, dated as of July 3, 2002 (the "Project Loan Agreement"), and that certain Supplemental Loan Agreement, dated as of July 3, 2002 (the "Supplemental Loan Agreement" and together with the Building Loan Agreement and the Project Loan Agreement, the "Loan Agreements") pursuant to which the Bank will lend to 731 Commercial Sub and 731 Residential Sub a maximum of \$490 million (the "Construction Loan") for the purposes of funding the cost of constructing an approximately 1.3 million square foot mixed residential/office/retail building at the property known as 731 Lexington Avenue, New York, New York (the "Project").

WHEREAS: As a condition to entering into the Loan Agreements and funding the Construction Loan, the Bank, among other things, has required that Vornado execute and deliver in favor of the Bank, a Guaranty of Completion, in the form attached hereto as Exhibit A (the "Completion Guaranty") and a Guaranty of Limited Recourse Obligations in the form attached hereto as Exhibit B (the "Limited Recourse Guaranty").

WHEREAS: The Obligors have requested and Vornado is willing, to execute and deliver in favor of the Bank the Completion Guaranty and the Limited Recourse Guaranty provided that, among other things, the Obligors enter into this Agreement.

WHEREAS: Alexander's indirectly owns one hundred percent (100%) of the regular limited liability company interests in each of 731 Commercial Sub and 731 Residential Sub and will receive substantial benefits from the Construction Loan and the resultant development of the Project; and

WHEREAS: 731 Commercial Sub and 731 Residential Sub collectively own one hundred percent (100%) of the Project and will receive substantial benefits from the Construction Loan and the resultant development of the Project.

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling," "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 20% or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agreement" means this Reimbursement Agreement, as the same may be supplemented, amended or modified.

"Alexander's" has the meaning specified in the first paragraph of this Agreement.

"Assignment of Collateral Account and Security Agreement" means the Assignment of Collateral Account and Security Agreement, substantially in the form of Exhibit E to the Vornado LOC Agreement from Alexander's to Vornado.

"Assignment of Subrogation Rights" means that certain Assignment of Subrogation Rights by and between Alexander's and Vornado dated the date hereof.

"Bank" has the meaning specified in the recitals.

"Building Loan Agreement " has the meaning specified in the recitals.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday on which banks are not required or authorized to close in New York City.

"Capitalized Leases" has the meaning specified in clause (e) of the definition of Debt.

"Cash Collateral Account" has the meaning specified in Section 7.01.

"Cash Collateral Agreement" has the meaning specified in Section 7.01.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as the same may be amended from time to time.

"Closing Date" means July 3, 2002.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means all "Collateral" referred to in the Collateral Documents and all other property that is subject to any Lien in favor of Vornado.

"Collateral Documents" means collectively the Guaranty, the Mortgage, the Pledge Agreement, the Assignment of Subrogation Rights, Assignment of Collateral Account and Security Agreement, Deposit Account Control Agreement and the Assignment of Leases and Rents and any documents relating thereto.

"Completion Guaranty" has the meaning specified in the recitals.

"Confidential Information" means information that Alexander's furnishes to Vornado on a confidential basis, but does not include any such information that is or becomes generally available to the public other than as a result of a breach by Vornado of its obligations hereunder or that is or becomes available to Vornado from a source other than Alexander's that is not, to the best of Vornado's knowledge, acting in violation of a confidentiality agreement with Alexander's.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Construction Loan" has the meaning specified in the recitals.

"Debt" of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all Obligations of such Person for the deferred purchase price of property or services (other than trade payables not overdue by more than 60 days incurred in the ordinary course of such Person's business), (c) all Obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all Obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Obligations of such Person as lessee under leases that have been or should be, in accordance with GAAP, recorded as capital leases ("Capitalized Leases"), (f) all Obligations, contingent or otherwise, of such Person under acceptance, letter of credit or similar facilities, (g) all Debt of others referred to in clauses (a) through (f) above guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (i) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (ii) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss, (iii) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (iv) otherwise to assure a creditor against loss, and (h) all Debt referred to in clauses (a) through (f) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Default Rate" means 4% per annum above the rate per annum required to be paid on any Loans pursuant to Section 3.04(a).

"Deposit Account Control Agreement" means the Deposit Account Control Agreement substantially in the form of Exhibit F to the Vornado LOC Agreement between Alexander's and Vornado.

"Disbursement Date" shall have the meaning set forth in Section 3.01.

"Disclosed Litigation" means the matters described on Schedule IV to the Vornado LOC Agreement.

"Environmental Action" means any administrative, regulatory or judicial action, suit, demand, demand letter, claim, notice of non-compliance or violation, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law or any Environmental Permit including, without limitation, (a) any written claim by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any Environmental Law and (b) any written claim by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"Environmental Law" means any applicable federal, state or local law, rule, regulation, order, writ, judgment, injunction, decree, determination or award relating to the environment, health, safety or Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"Events of Default" has the meaning specified in Section 8.01.

"Existing Debt" means Debt of Alexander's outstanding immediately before the time of execution of this Agreement.

"Flushing Property" means the ground leasehold estate on the Property designated on Schedule I to this Agreement as the "Flushing Property".

"GAAP" has the meaning specified in Section 1.03.

"Guarantor" means each of Alexander's of Flushing, Inc., Alexander's of Third Avenue, Inc., Alexander's of Rego Park II, Inc. and Alexander's of Rego Park III, Inc. and subsequent assignees thereof and any other Person who shall execute a Guaranty after the date hereof.

"Guaranty" means the Guaranty, substantially in the form of Exhibit C to this Agreement, as amended from time to time, duly executed as of the Closing Date by each Guarantor.

"Hazardous Materials" means (a) petroleum or petroleum products, natural or synthetic gas, asbestos in any form that is friable, urea formaldehyde foam insulation and radon gas, (b) any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminants" or "pollutants," or words of similar import, under any Environmental Law and (c) any other substance exposure to which is regulated under any Environmental Law.

"Immediate Reimbursement Obligation" has the meaning specified in Section 2.02.

"Indemnified Party" has the meaning specified in Section 9.04(b).

"Interest Payment Date" has the meaning specified in Section 3.04(a).

"Interest Rate" means fifteen percent (15%).

"Leasing Agreement" means that certain Real Estate Retention Agreement, dated July 20, 1992, among Vornado, Inc. (as predecessor to Vornado Realty Trust), Keen Realty Consultants and Alexander's as amended from time to time.

"Lexington Avenue Property" means the Property designated on Schedule I to this Agreement as the "59th Street Property".

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"Limited Recourse Guaranty" has the meaning specified in the Recitals.

"Loan" or "Loans" has the meaning specified in Section 3.01.

"Loan Agreements" has the meaning specified in the Recitals.

"Loan Commitment Period" shall mean the period commencing on the date of this Agreement and ending on the Maturity Date, as such period may be extended pursuant to Section 3.12.

"Major Lease" means any lease at a Property (i) for an entire free-standing building, including without limitation a building to be constructed, (ii) for over 10,000 rentable square feet, or (iii) with an anchor tenant.

"Management Agreement" means that certain Management and Development Agreement, dated as of February 6, 1995, between Alexander's and Vornado Realty Trust, as amended from time to time.

"Material Adverse Change" means any material adverse change in the business, financial condition, operations, performance or properties of Alexander's and the other Reimbursement Parties taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, financial condition, operations, performance or properties of Alexander's and the other Reimbursement Parties taken as a whole, (b) the rights and remedies of Vornado under any Reimbursement Document or (c) the ability of any Reimbursement Party to perform its Obligations under any Reimbursement Document to which it is or is to be a party.

"Maturity Date" means the earlier of (i) January 3, 2006 and (ii) the date on which the Construction Loan is paid in full.

"Mortgage" or "Mortgages" means one or more mortgages, in substantially the form of Exhibit D to this Agreement and covering all or any of the Properties, as the same may be amended from time to time, duly executed by the applicable Mortgagor in favor of Vornado.

"Mortgagor" means the Alexander's of Third Avenue, Inc., Alexander's of Rego Park II, Inc. and Alexander's of Rego Park III, Inc. provided that any Mortgagor shall cease to be a Mortgagor upon the release or satisfaction of that Mortgagor's mortgage.

"Note" or "Notes" means, collectively, the promissory notes of Obligors payable to the order of Vornado, in substantially the form of Exhibit E hereto, as amended from time to time, evidencing the indebtedness of the Obligors to Vornado resulting from any Loans made by Vornado.

"Obligation" means, with respect to any Person, any obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any proceeding referred to in Section 8.01(f). Without limiting the generality of the foregoing, the Obligations of the Reimbursement Parties under the Reimbursement Documents include (a) the obligation to pay reimbursement payments, principal, interest, charges, expenses, fees, reasonable attorneys' fees and disbursements, indemnities and other amounts payable by any Reimbursement Party under any Reimbursement Document and (b) the obligation to reimburse any amount in respect of any of the foregoing that Vornado, in accordance with the terms of the applicable Reimbursement Document, may elect to pay or advance on behalf of such Reimbursement Party.

"Obligor" or "Obligors" has the meaning specified in the first paragraph of this Agreement.

"Other Taxes" has the meaning specified in Section 3.08(b).

"Other Vornado Credit Agreements" means, (i) the Amended and Restated Credit Agreement, dated as of July 3, 2002, between 59th Street Corporation and VLLLC relating to a \$40,000,000 loan, (ii) the Credit Agreement, dated as of July 3, 2002, between Alexander's and VLLLC relating to a \$20,000,000 loan, (iii) the Amended and Restated Credit Line Agreement, dated as of July 3, 2002, between Alexander's and VLLLC relating to a \$50,000,000 loan, and (iv) the Credit Agreement, dated as of July 3, 2002, between Alexander's and VLLLC relating to a \$35,000,000 loan.

"Other Vornado Loans" means the loans made by Vornado or one or more of its Affiliates to Alexander's or one or more of its Affiliates pursuant to the Other Vornado Credit Agreements.

"Other Vornado Loan Documents" means the Other Vornado Credit Agreements and any other documents evidencing or securing any of the Other Vornado Loans.

"Participant" has the meaning set forth in Section 9.08.

"Permitted Encumbrances" has the meaning specified in the Mortgages.

"Permitted Liens" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) Liens for taxes, assessments and governmental charges or levies not yet due and payable; (b) Liens created under the Senior Loan Documents; (c) Permitted Encumbrances; (d) with respect to any real property acquired by Alexander's or any Subsidiary or Affiliate of Alexander's after the date hereof, liens to which such property is subject as of the date of such acquisition, purchase money mortgages or other similar purchase liens and liens in favor of lenders providing construction or development financing in connection with such property, provided that all proceeds of such financings are used for construction or development of such property or the retirement of Existing Debt secured by one or more liens on such Property; (e) Liens permitted to be incurred by Alexander's pursuant to the terms of this Agreement; (f) Liens in connection with taxes being contested in good faith in compliance with this Agreement; (g) Liens securing the Construction Loan; and (h) any renewal or replacement of any Lien securing Surviving Debt or Lien permitted pursuant to the foregoing clauses (a) through (g), inclusive, provided that any such renewal or replacement Lien secures Debt in an amount not in excess of the Debt secured by the Lien so renewed or replaced, provided, however, that notwithstanding the foregoing, Vornado shall not be required to subordinate to any Lien pursuant to this clause (h) except as otherwise provided in this Agreement.

"Permitted Related Owner" means any of (a) any Subsidiary now existing or hereafter created all shares of issued and outstanding capital stock of which are owned by Alexander's or (b) a corporation (x) 90% or more of the economic interests of which

shall be held by Alexander's through the ownership of shares of preferred and/or common stock of such corporation and (y) 10% or less of the economic interests of which shall be held by an entity reasonably satisfactory to Vornado through the ownership of shares of common and/or preferred stock of such corporation; provided that such Subsidiary or corporation enters into a guaranty substantially in the form of the Guaranty pursuant to which it guarantees the obligations of Alexander's under this Agreement and the Notes or (c) 731 Commercial Holdings LLC, 731 Residential Holdings LLC, 731 Commercial Sub and 731 Residential Sub. The conditions regarding share ownership set forth in clauses (x) and (y) above may be varied to the extent necessary for any income received by Alexander's to be described in Section 856(c)(2) of the Code or for Alexander's to continue to qualify as a REIT.

"Person" means an individual, partnership, limited liability company, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Pledge Agreement" means that certain Pledge Agreement by and between Alexander's and Vornado dated the date hereof.

"Project" has the meaning specified in the Recitals.

"Project Loan Agreement" has the meaning specified in the Recitals.

"Properties" means the properties listed on Schedule I to this Agreement and any real property acquired by Alexander's or any Mortgagor after the Closing Date.

"Rego Park II Property" means the Property designated on Schedule I to this Agreement as the "Rego Park II Property".

"Rego Park III Property" means the Property designated on Schedule I to this Agreement as the "Rego Park III Property".

"Reimbursement Documents" means this Agreement, the Note, the Collateral Documents and any other documents executed by any Reimbursement Party in connection with this Agreement or the Loans.

"Reimbursement Obligations" means all amounts due and payable to Vornado under the Reimbursement Documents including, without limitation, the Immediate Reimbursement Obligations and the Loans.

"Reimbursement Parties" means each Obligor, each Guarantor, and each Mortgagor.

"REIT" means an entity described in Section 856(a) of the Code and entitled to the benefits of Section 857(a) of the Code.

"Secured Debt" means any Debt of Alexander's incurred after the Closing Date that is secured by any of the Properties and/or the Collateral and that otherwise contains terms and conditions satisfactory to Vornado.

"Senior Debt" means any Secured Debt that is secured by any of the Properties and/or the Collateral with respect to which the liens have priority over the lien of the Mortgage.

"Senior Lender" means the lender or lenders under the Other Vornado Credit Agreements.

"Senior Loan" means the loan made by the Senior Lender to Alexander's and/or its Affiliates under the Senior Loan Documents.

"Senior Loan Documents" means the Other Vornado Loan Documents.

"731 Commercial Sub" has the meaning specified in the first paragraph of this Agreement.

"731 Residential Sub" has the meaning specified in the first paragraph of this Agreement.

"Subordinate Debt" means any Debt of Alexander's that is subordinated to the Reimbursement Obligations under the Reimbursement Documents on, and that otherwise contains, terms and conditions satisfactory to Vornado.

"Subsidiary" means, with respect to Alexander's, (i) any corporation of which more than 50% of the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned or controlled by Alexander's, by Alexander's and one or more of its other Subsidiaries or by one or more of Alexander's other Subsidiaries and (ii) 731 Commercial Holdings LLC, 731 Residential Holdings LLC, 731 Commercial Sub and 731 Residential Sub.

"Supplemental Loan Agreement" has the meaning specified in the Recitals.

"Taxes" has the meaning specified in Section 3.08(a).

"Third Avenue Property" means the Property designated on Schedule I to this Agreement as the "Third Avenue Property".

"Vornado's Account" means an account of or specified by Vornado and, until Vornado shall notify Alexander's of a change in such account, shall mean the account of Vornado Realty Trust maintained at Fleet Bank (Account No. 9403934589).

"VLLLC" means Vornado Lending L.L.C.

"Vornado LOC Agreement" means the Amended and Restated Credit Line Agreement dated as of July 3, 2002, between Alexander's and VLLLC relating to a \$50,000,000 loan.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 5.01(g) ("GAAP").

ARTICLE II

GUARANTIES

SECTION 2.01. Issuance of Guaranties. Vornado agrees, subject to the terms and conditions of this Agreement, to execute and deliver to, and for the benefit of, the Bank, the Completion Guaranty and the Limited Recourse Guaranty upon the closing of the Construction Loan.

SECTION 2.02. Reimbursement Obligation. The Obligors agree, on a joint and several basis, to reimburse Vornado immediately after, without any demand or notice of any kind whatsoever, and for the full amount of each and every payment made by Vornado under the Completion Guaranty and/or the Limited Recourse Guaranty (other than a payment made under Section 1.3(g) of the Completion Guaranty or Section 1.3(b) of the Limited Recourse Guaranty) (each, an "Immediate Reimbursement Obligation") whether such payment is made to the Bank or to any other Person (including payments made to Vornado and/or its affiliates); but as contemplated by Article III, each such reimbursement may in certain circumstances be made in whole or in part from the proceeds of Loans to be automatically made (subject to Section 4.02) upon the occurrence of such payment under the Completion Guaranty or the Limited Recourse Guaranty.

SECTION 2.03. Interest. The Obligors agree, on a joint and several basis, to pay interest (computed on the basis of a year of 360 days and the actual number of days elapsed) to Vornado on the unpaid amount of each Immediate Reimbursement Obligation arising as a result of any payment made by Vornado under the Completion Guaranty and/or the Limited Recourse Guaranty, in respect of each day during the period from the date of such payment by Vornado until the date such Immediate Reimbursement Obligation shall be paid in full, at a rate per

annum for each day during such period equal to the Default Rate, such interest to be payable from time to time on demand.

SECTION 2.04. Fees and Commissions. In consideration for Vornado issuing the Completion Guaranty, the Obligors shall pay to Vornado a fee (the "Guaranty Fee") in the amount equal to one percent (1%) of the total Completion Costs (as such term is defined in the Guaranty of Completion). The Guaranty Fee shall be paid to Vornado within 15 days after Substantial Completion of the Property (as those terms are defined in that certain 59th Street Management and Development Agreement, dated as of July 3, 2002, among 731 Residential Sub, 731 Commercial Sub and Vornado Management Corp.); provided, however, that in the event that the Obligors fail to make such payment within such 15 day period, the Obligors shall not be in default hereunder, but interest shall accrue on the Guaranty Fee at the rate of 15% per annum from the date of Substantial Completion of the Property, and the Guaranty Fee, together with all interest accrued thereunder, shall in any event be paid on the earlier of (y) January 3, 2006 and (z) the date on which the Construction Loan is paid in full. There is no additional fee charged by Vornado for the issuance of the Limited Recourse Guaranty.

SECTION 2.05. Payments. Each payment by the Obligors to Vornado under this Article II shall be made to Vornado at Vornado's Account in U.S. Dollars and in immediately available funds, on the due date of such payment. If the due date of any payment under this Agreement would otherwise fall on a day which is not a Business Day, such date shall be extended to the next succeeding Business Day and interest at the applicable rate for the principal being repaid shall be payable for any principal so extended for the period of such extension.

SECTION 2.06. Use of Guaranties. The Obligors agree that neither Vornado nor any of its officers or directors shall be liable or responsible for, and the obligations of the Obligors to Vornado hereunder shall not in any manner be affected by the use which may be made of the Completion Guaranty and/or the Limited Recourse Guaranty or the proceeds thereof by the Bank or any other Person.

SECTION 2.07. Subrogation Rights. The Obligors and Vornado agree that in the event that Alexander's pays any Immediate Reimbursement Obligation, whether with its own funds, from the proceeds of a Loan or otherwise, all subrogation rights shall be preserved for the benefit of Alexander's, subject only to the Assignment of Subrogation Rights. In addition, the Obligors and Vornado agree that any such subrogation rights against 731 Commercial Sub and/or 731 Residential Sub shall be subordinate in all respects to the Construction Loan and neither Vornado nor Alexander's shall seek to enforce any such subrogation right until the Construction Loan is paid in full. It is the intent of the Obligors and Vornado that the holder or holders of the Construction Loan (and any agent acting on their behalf) shall be third party beneficiaries of the provisions of the immediately preceding sentence.

ARTICLE III

LOANS

SECTION 3.01. The Loans. Vornado agrees, on and subject to the terms and conditions of this Agreement, to make one or more loans (each, a "Loan", and collectively, the "Loans") to the Obligors, on a joint and several basis, during the Loan Commitment Period for the purpose of paying Immediate Reimbursement Obligations arising solely as a result of payments made by Vornado under the Completion Guaranty and/or the Limited Recourse Guaranty. Amounts repaid or prepaid pursuant to this Agreement may not be reborrowed. In furtherance of the foregoing, Vornado agrees that upon any such payment under the Completion Guaranty and/or the Limited Recourse Guaranty, Vornado shall during the Loan Commitment Period automatically, subject, however, to the satisfaction of the conditions precedent set forth in Section 4.02 make a Loan to the Obligors, on a joint and several basis, in an amount equal to the amount of such payment, the proceeds of which shall be applied to the payment (in whole or in part as the case may be) of the Immediate Reimbursement Obligation arising pursuant to Section 2.02 as a result of such payment. The principal amount shall be noted in the transaction records of Vornado and, absent manifest error, such records shall be conclusive as to the matters noted. Notwithstanding the foregoing, Vornado's failure to note the principal amount of any Loan shall not affect the Obligors' obligations under the Reimbursement Documents. Vornado and the Obligors acknowledge and agree that to the extent Alexander's is able to borrow funds under the Vornado LOC Agreement, Alexander's shall borrow such funds to pay Immediate Reimbursement Obligations before any Loans are made under this Reimbursement Agreement.

SECTION 3.02. Repayment. The Obligors shall repay to Vornado the aggregate principal amount of the Loans and all other Reimbursement Obligations relating to the Loans on the Maturity Date or on such earlier date as the Reimbursement Obligations become due as provided in the Reimbursement Documents.

SECTION 3.03. Prepayments. The Obligors may, upon at least two days' notice to Vornado prepay all or any portion of the outstanding principal amount of the Loans, together with (i) accrued interest to the date of such prepayment on the principal amount prepaid and (ii) if the entire outstanding principal amount of the Loans is repaid, all other accrued and unpaid amounts due hereunder or under any other Reimbursement Document.

SECTION 3.04. Interest. (a) Ordinary Interest. The Obligors shall pay interest on the unpaid principal amount of each Loan owing to Vornado from the date such Loan was made, until such principal amount shall be paid in full, in arrears on the fifteenth day of each month (each an "Interest Payment Date") at a rate per annum equal to the Interest Rate, but in no event shall any Loan be repaid later than the Maturity Date.

(b) Intentionally Omitted.

(c) Default Interest. From and after the Maturity Date and upon the occurrence and during the continuance of an Event of Default specified in Section 8.01, the Obligors shall pay interest on (i) the unpaid principal amount of

the Loans and (ii) the amount of any interest, fee or other amount due and payable hereunder which is not paid when due, from the date such amount shall be due until such amount shall be paid in full, in either clause (i) or (ii) payable immediately on the Maturity Date or on demand after such occurrence and during such continuance, at a rate per annum equal at all times to the Default Rate.

(d) Late Charges. In the event any payment of principal or any interest is not made within five days after the date on which such amount first becomes due and payable, Vornado may, at its option, require the Obligor to make an additional payment to Vornado as a late charge in an amount equal to 5% of such overdue amount.

SECTION 3.05. Intentionally Omitted.

SECTION 3.06. Increased Costs. If, with respect to any assignee of Vornado or a Participant that is a bank (a "Bank Lender"), due to either (i) the introduction of or any change in or in the interpretation of any law or regulation (other than a law or regulation relating to taxes) or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the amount of capital required by such Bank Lender or authority to be maintained by such Bank Lender or any corporation controlling Bank Lender as a result of or based upon the existence of Bank Lender's commitment to lend hereunder, then, upon demand by Bank Lender, the Obligor shall pay to Bank Lender, from time to time as reasonably specified by Bank Lender, additional amounts sufficient to compensate Bank Lender in the light of such circumstances, to the extent that Bank Lender reasonably determines such increase in capital to be allocable to the existence of the Loans.

SECTION 3.07. Payments and Computations. (a) The Obligor shall make each payment required to be made hereunder and under the Notes not later than 11:00 A.M., New York City time, on the day when due in U.S. dollars to Vornado at Vornado's Account in immediately available (same day) funds.

(b) All computations of interest and fees shall be made by Vornado on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by Vornado of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest.

(d) The Obligor covenant (to the extent that they may lawfully do so) that they will not at any time insist upon, or plead, or in any manner whatsoever

claim or take the benefit or advantage of, any usury or similar law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Agreement, the Notes or the other Reimbursement Documents; and the Obligors (to the extent that they may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that they will not hinder, delay or impede the execution of any power herein granted to Vornado, but will suffer and permit the execution of every such power as though no such law had been enacted. It is the intent of Vornado and the Obligors in the execution of the Notes, this Agreement and all other instruments now or hereafter securing the Notes or executed in connection therewith or under any other written or oral agreement by the Obligors in favor of Vornado to contract in strict compliance with applicable usury law. In furtherance thereof, Vornado and the Obligors stipulate and agree that none of the terms and provisions contained in the Notes, this Agreement or any other instrument securing the Notes or executed in connection herewith, or in any other written or oral agreement by the Obligors in favor of Vornado, shall ever be construed to create a contract to pay for the use, forbearance or detention of money, interest at a rate in excess of the maximum interest rate permitted to be charged by applicable law. Neither the Obligors nor any guarantors, endorsers or other parties now or hereafter becoming liable for payment of the Notes shall ever be required to pay interest on the Notes or on indebtedness arising under any instrument securing the Notes or executed in connection therewith, or in any other written or oral agreement by the Obligors in favor of Vornado, at a rate in excess of the maximum interest that may be lawfully charged under applicable law, and the provisions of this Section 3.07(d) shall control over all other provisions of the Notes, this Agreement and any other instruments now or hereafter securing the Notes or executed in connection herewith or any other oral or written agreements that may be in apparent conflict herewith. Vornado expressly disavows any intention to charge or collect excessive unearned interest or finance charges in the event the maturity of the Notes is accelerated. If the maturity of the Notes shall be accelerated for any reason or if the principal of the Notes is paid prior to the end of the term of the Notes, and as a result thereof the interest received for the actual period of existence of the Loan exceeds the applicable maximum lawful rate, Vornado shall, at its option, either refund to the Obligors the amount of such excess or credit the amount of such excess against the principal balance of the Notes then outstanding and thereby shall render inapplicable any and all penalties of any kind provided by applicable law as a result of such excess interest. In the event that Vornado shall collect monies and/or any other thing of value that are then or at any time deemed to constitute interest that would increase the effective interest rate on the Notes to a rate in excess of that permitted to be charged by applicable law, an amount equal to interest in excess of the lawful rate shall, upon such determination, at the option of Vornado, be either immediately returned to the Obligors or credited against the principal balance of the Notes then outstanding, in which event any and all penalties of any kind under applicable law as a result of such excess interest shall be inapplicable. By execution of this Agreement, the

Obligors acknowledge that they believe the Loan to be non-usurious and agree that if, at any time, the Obligors should have reason to believe that the Loan is in fact usurious, it will give Vornado notice of such condition and the Obligors agree that Vornado shall have 90 days after receipt of such notice in which to make appropriate refund or other adjustment in order to correct such condition if in fact such exists. The provisions of this Section 3.07 shall also apply to the Immediate Reimbursement Obligations.

SECTION 3.08. Taxes. (a) Any and all payments by the Obligors hereunder or under the Notes shall be made, in accordance with this Section 3.08, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings other than (i) net income taxes, franchise taxes and similar taxes imposed on Vornado or a Participant, (ii) any tax, assessment or other governmental charge that would not have been imposed but for the failure of Vornado or a purchaser of all or a portion of Vornado's or a Participant's rights and obligations under this Agreement to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with the United States of Vornado or a Participant, if compliance is required by statute or by regulation of the United States Treasury Department as a precondition to exemption from such tax, assessment or other governmental charge, (iii) any tax, assessment or other governmental charge that would not have been imposed but for either (a) a sale or other transfer of all or a portion of Vornado's or a Participant's rights and obligations under this Agreement to a Person that is not an entity that is treated as a corporation organized or created under the laws of the United States or of any State for U.S. federal tax purposes or (b) Lender's merger or consolidation with, or transfer of substantially all of its assets to, another entity, and (iv) any tax, assessment or other governmental charge that would not have been imposed but for any present or former connection between Vornado or a Participant (or a shareholder of Vornado or a Participant) and the jurisdiction imposing such tax, assessment or other governmental charge, including, without limitation, Vornado or a Participant's being or having been a citizen or resident of, present or engaged in a trade or business in, such jurisdiction, but excluding a connection arising solely as a result of Vornado's having entered into, received payments under and enforced this Agreement (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Obligors shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under the Notes to Vornado, (i) the sum payable shall be increased as may be necessary so that after making all required deductions for Taxes (including deductions ("Additional Taxes") applicable to additional sums payable pursuant to this sentence), Vornado receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Obligors shall make such deductions and (iii) the Obligors shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Obligors shall pay any present or future stamp, documentary, excise, property or similar taxes, charges or levies that arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, or otherwise with respect to this Agreement or the Notes (hereinafter referred to as "Other Taxes").

(c) The Obligors shall indemnify Vornado for the full amount of Taxes, and Other Taxes, paid by Vornado and any liability (including penalties, additions to tax, Additional Taxes, interest and expenses) arising therefrom or with respect thereto except as may arise as a result of Vornado's gross negligence or willful misconduct.

(d) Within 30 days after the date of any payment of Taxes, the Obligors shall furnish to Vornado, at its address referred to in Section 9.02, the original receipt of payment thereof or a certified copy of such receipt.

(e) Without prejudice to the survival of any other agreement of the Obligors hereunder, the agreements and obligations of the Obligors contained in this Section 3.08 shall survive the payment in full of principal and interest hereunder and under the Note.

SECTION 3.09. Payment of Certain Costs and Expenses. The Obligors shall pay to Vornado within five days after demand therefor all reasonable costs and expenses (including reasonable attorneys' fees and disbursements) incurred by Vornado in connection with (i) the approval of any lease, (ii) the preparation, negotiation and execution of any non-disturbance agreement requested for any lease, (iii) review and approval of any plans, construction contracts or any other documents relating to construction or development of a Property; and (iv) the assignment of any liens of the Mortgages pursuant to Section 7.08.

SECTION 3.10. Use of Proceeds. The proceeds of the Loan shall be available (and the Obligors agrees that they shall use such proceeds) only to repay Immediate Reimbursement Obligations.

SECTION 3.11. [Intentionally Omitted]

SECTION 3.12. Extension of Loan Commitment Period and Maturity Date. At the request of Alexander's, Vornado may, in its sole and absolute discretion, agree to extend the Loan Commitment Period and the Maturity Date to dates that are mutually acceptable to Alexander's and Vornado.

SECTION 3.13. Joint and Several Obligations. The obligations of the Obligors under this Agreement and the other Reimbursement Documents shall be joint and several.

ARTICLE IV

CONDITIONS

SECTION 4.01. Conditions Precedent to Issuing the Guaranties. The obligation of Vornado to issue the Completion Guaranty and the Limited Recourse Guaranty is subject to the satisfaction of each of the following conditions precedent on or before the Closing Date:

(1) the representations and warranties of Alexander's contained in Section 5.01 shall be true and correct as of the Closing Date as if made on such date;

(2) no Default or Event of Default remains uncured and outstanding;

(3) Vornado shall have received certified copies of all action (including, without limitation, resolution of the board of directors of Alexander's) taken by each of the Obligor's approving each Reimbursement Document and the transactions contemplated thereby and such other documents as Vornado may reasonably request;

(4) Each of the Reimbursement Documents shall be in form and substance satisfactory to Vornado; each of the Reimbursement Documents shall have been duly executed and delivered by the respective parties thereto; and Vornado shall have received a fully executed copy of each of the Reimbursement Documents; and

(5) Opinions of Counsel. Vornado shall have received a written opinion of counsel to the Reimbursement Parties, dated the Closing Date, in form and substance reasonably acceptable to Vornado and addressed to Vornado, with respect to (i) the due formation and valid existence of the Reimbursement Parties, (ii) the authorization, execution, delivery and enforceability of the Reimbursement Documents, and (iii) such other matters as Vornado may reasonably request.

SECTION 4.02. Conditions Precedent to Making a Loan. The obligation of Vornado to make any Loan to the Obligor's pursuant to this Agreement is subject to the satisfaction of each of the following conditions precedent as of the date (the "Funding Date") on which such Loan would be made pursuant to Section 3.01:

(1) the representations and warranties of the Obligor's contained in Section 5.01 shall be true and correct as of the Funding Date as if made on such date;

(2) if requested by Vornado, the Obligor's shall execute a separate Note evidencing such Loan;

(3) no Default or Event of Default remains uncured and outstanding;

(4) the Loan Commitment Period has not expired; and

(5) all of the Reimbursement Documents are in full force and effect.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

SECTION 5.01. Representations and Warranties of Alexander's.
Alexander's represents and warrants as follows:

(a) Each Reimbursement Party that is a corporation (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of its incorporation, (ii) is duly qualified and in good standing as a foreign corporation in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed is not reasonably likely to have a Material Adverse Effect and (iii) has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

(b) Each Reimbursement Party that is a partnership or a limited liability company (i) is a partnership or a limited liability company duly formed and validly existing under the laws of the State of its formation, (ii) is duly qualified in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed is not reasonably likely to have a Material Adverse Effect and (iii) has all requisite partnership or limited liability company power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

(c) [Intentionally Omitted]

(d) The execution, delivery and performance by each Reimbursement Party of this Agreement, the Notes, and each other Reimbursement Document to which it is or is to be a party, and the consummation of the transactions contemplated herein and therein, are within such Reimbursement Party's corporate, partnership or limited liability company powers, have been duly authorized by all necessary corporate, partnership or limited liability company action, and, to each such Reimbursement Party's knowledge, do not (i) contravene such Reimbursement Party's organizational documents, (ii) violate any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award, except where such violation is not reasonably likely to have a Material Adverse Effect and except as set forth on Schedule II to the Vornado LOC Agreement, (iii) except as set forth on Schedule II to the Vornado LOC Agreement, conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting any Reimbursement Party, any of its Subsidiaries or any of their properties, except where such conflict, breach or default is not reasonably likely to have a Material Adverse Effect or (iv) except for the Liens created by the

Collateral Documents and Senior Loan Documents, result in or require the creation or imposition of any Lien upon or with respect to any of the properties of any Reimbursement Party or any of its Subsidiaries.

(e) Other than as set forth on Schedule III to the Vornado LOC Agreement, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for (i) the due execution, delivery, recordation, filing or performance by any Reimbursement Party of this Agreement, the Notes, or any other Reimbursement Document to which it is or is to be a party, or for the consummation of the transactions contemplated hereby, (ii) the grant by any Reimbursement Party of the Liens granted by it pursuant to the Collateral Documents, (iii) the perfection or maintenance of the Liens created by the Collateral Documents or (iv) the exercise by Vornado of its rights under the Reimbursement Documents or the remedies in respect of the Collateral pursuant to the Collateral Documents.

(f) This Agreement has been, the Notes, and each other Reimbursement Document when delivered hereunder will have been, duly executed and delivered by each Reimbursement Party thereto. This Agreement is, and the Notes and each other Reimbursement Document when delivered hereunder will be, the legal, valid and binding obligation of each Reimbursement Party thereto, enforceable against such Reimbursement Party in accordance with its terms.

(g) The Consolidated balance sheet of Alexander's and its Subsidiaries as of December 31, 2001, and the related Consolidated statement of income and cash flows of Alexander's and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of Deloitte & Touche, independent public accountants, and the Consolidated balance sheet of Alexander's and its Subsidiaries as of March 31, 2002, and the related Consolidated statement of income and cash flows of Alexander's and its Subsidiaries for the three months then ended, duly certified by the Chairman of the Board of Alexander's or any other officer of Alexander's, copies of which have been furnished to Vornado, fairly present, subject, in the case of said balance sheet as of March 31, 2002, and said statement of income and cash flows for the three months then ended, to year-end audit adjustments, the Consolidated financial condition of Alexander's and its Subsidiaries as at such dates and the Consolidated results of the operations of Alexander's and its Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles applied on a consistent basis. Since March 31, 2002, there has been no Material Adverse Change.

(h) [Intentionally Omitted]

(i) All financial statements delivered by any Reimbursement Party to Vornado, are true, correct and complete in all material respects, fairly represent such Reimbursement Party's financial condition as of the date hereof and thereof,

and no information has been omitted that would make the information previously furnished misleading or incorrect in any material respect.

(j) To such Reimbursement Party's knowledge, there is no action, suit, investigation, litigation or proceeding affecting any Reimbursement Party not covered by insurance (subject to reasonable deductibles), including any Environmental Action, pending before any court, governmental agency or arbitrator that (i) would be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation) or (ii) purports to affect the legality, validity or enforceability of this Agreement, the Notes, any other Reimbursement Document or the consummation of the transactions contemplated hereby, and there has been no adverse change in the status or financial effect on any Reimbursement Party of the Disclosed Litigation from that described on Schedule IV to the Vornado LOC Agreement.

(k) Except as set forth on Schedule V(a) to the Vornado LOC Agreement to such Reimbursement Party's knowledge, the operations and properties of each Reimbursement Party and each of its Subsidiaries comply in all material respects with all Environmental Laws, all necessary Environmental Permits have been obtained and are in effect for the operations and properties of each Reimbursement Party and its Subsidiaries, each Reimbursement Party and its Subsidiaries are in compliance in all material respects with all such Environmental Permits, and, no circumstances exist that would be reasonably likely to (i) form the basis of an Environmental Action against any Reimbursement Party or any of its Subsidiaries or any properties described in the Mortgages or the Lexington Avenue Property that could have a Material Adverse Effect or (ii) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

(l) Except as set forth in the environmental reports heretofore delivered to Vornado as set forth on Schedule V(b) to the Vornado LOC Agreement, none of the Properties is listed or, to the knowledge of any Reimbursement Party, proposed for listing on the National Priorities List under CERCLA or on the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the Environmental Protection Agency or any analogous state list of sites requiring investigation or cleanup or is adjacent to any such property. Except as would not have a Material Adverse Effect, no underground storage tanks, as such term is defined in 42 U.S.C. Section 6991, are located on any Property in violation of applicable Environmental Laws. Except as set forth on the environmental reports heretofore provided to Vornado, Alexander's has no knowledge of any underground storage tank located on any property adjoining any Property.

(m) Each Reimbursement Party and each of its Subsidiaries has filed or has caused to be filed all income tax returns (Federal, state and local) required to be filed and has paid all taxes shown thereon to be due, together with applicable

interest and penalties. Alexander's is not aware of any material unasserted claims for prior taxes against it for which adequate reserves satisfactory to Vornado have not been established.

(n) Each Mortgagor and each of 731 Commercial Sub and 731 Residential Sub has good, marketable and insurable fee simple title to the real property described in the Mortgage executed and delivered by such Mortgagor and the Lexington Avenue Property, as applicable, free and clear of all Liens, other than those disclosed on such Schedule and Liens created or permitted by the Reimbursement Documents, the Other Vornado Loan Documents, the Senior Loan Documents and the Loan Agreements.

(o) [Intentionally Omitted]

(p) Except as set forth on Schedule VI to the Vornado LOC Agreement, no Reimbursement Party is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained herein or in any material agreement or instrument to which it is a party or by which it or any of its properties is bound.

(q) As of the date hereof, there has been no Material Adverse Change since the date of the most recent financial statements provided by Alexander's or such Reimbursement Party to Vornado.

(r) No Reimbursement Document or other document, certificate or statement furnished to Vornado by or on behalf of Alexander's or any other Reimbursement Party contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. It is specifically understood by Alexander's that all such statements, representations and warranties shall be deemed to have been relied upon by Vornado as an inducement to issue the Completion Guaranty and the Limited Recourse Guaranty to the Bank and to make Loans to Alexander's.

ARTICLE VI

COVENANTS

SECTION 6.01. Affirmative Covenants of Alexander's. So long as the Completion Guaranty and/or the Limited Recourse Guaranty shall remain outstanding or any portion of the Reimbursement Obligations shall remain unpaid, Alexander's will, unless Vornado shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply, and cause each Mortgagor, 731 Commercial Sub and 731 Residential Sub to comply, in all respects, with all applicable laws, rules, regulations and orders, except as set forth on Schedule VII to the Vornado LOC Agreement or except where such non-compliance is not likely to have a Material Adverse Effect; and keep, and cause each Mortgagor,

731 Commercial Sub and 731 Residential Sub to keep, at all times in full force and effect all authorizations required for the continued use and operation of the properties of Alexander's and of each Mortgagor 731 Commercial Sub and 731 Residential Sub except as set forth on such Schedule.

(b) Payment of Taxes, Etc. Prepare and timely file all federal, state and local tax returns required to be filed by Alexander's and promptly pay and discharge all taxes, assessments and other governmental charges, imposed upon Alexander's or its income or any of its property, and cause each Subsidiary to do so, with respect to real estate taxes, before interest and penalties commence to accrue thereon and, with respect to all other taxes, before they become a Lien upon such property, except for those taxes, assessments and other governmental charges then being contested in good faith by appropriate proceedings and for which Alexander's or such Subsidiary has maintained adequate reserves and with respect to which (i) there is not a reasonable likelihood, in the judgment of Vornado, that Alexander's or Vornado shall be subject to any risk of criminal or material civil liability and (ii) there is not a reasonable likelihood, in the judgment of Vornado, that Alexander's or any of its Subsidiaries' properties or the lien of the Mortgages shall be subject to the risk, respectively, of forfeiture or impairment, provided, however, that all real estate taxes must be paid when due. Alexander's shall submit to Vornado, upon request, an affidavit signed by Alexander's certifying that all federal, state and local income tax returns have been filed to date and all real property taxes, assessments and other governmental charges with respect to Alexander's or any Subsidiary's properties have been paid to date.

(c) Compliance with Environmental Laws. Except as set forth on Schedule V(a) to the Vornado LOC Agreement, comply, and cause each of its Subsidiaries and all lessees and other Persons occupying its properties to comply, in all material respects, with all Environmental Laws and Environmental Permits applicable to its operations and properties, except where the non-compliance with such laws or the absence or non-renewal of such permits is not likely to have a Material Adverse Effect; obtain and renew all Environmental Permits necessary for its operations and properties, except where such non-compliance is not likely to have a Material Adverse Effect; and to the extent and in the timeframe required by applicable Environmental Law conduct, and cause each of its Subsidiaries to conduct, any investigation, study, sampling and testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Materials from any of its properties, in accordance with the requirements of all Environmental Laws; provided, however, that neither Alexander's nor any of its Subsidiaries shall be required to undertake any such cleanup, removal, remedial or other action to the extent that its obligation to do so is being contested in good faith and by proper proceedings and with respect to which (i) there is no reasonable likelihood of any risk of criminal or material civil liability to Vornado, (ii) there is no reasonable likelihood that Alexander's or any of its Subsidiaries' properties or the lien of the Mortgages shall be subject to the

risk, respectively, of forfeiture or impairment and (iii) appropriate reserves are being maintained with respect to such circumstances.

(d) Maintenance of Insurance. Maintain, and cause each Mortgagor, 731 Commercial Sub and 731 Residential Sub to maintain, insurance with responsible and reputable insurance companies or associations in such amounts (subject to reasonable deductibles) and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which Alexander's or such Subsidiary operates and as otherwise required by the Mortgages or the Loan Agreements, as applicable, provided, however, that Alexander's shall cause the Mortgagors to maintain the insurance required by the Mortgages and shall cause 731 Commercial Sub and 731 Residential Sub to maintain the insurance required by the Loan Agreements.

(e) Preservation of Corporate, Partnership or Limited Liability Company Existence, Etc. Preserve and maintain, in full force and effect, and cause each Mortgagor and each other Subsidiary, where applicable, to preserve and maintain, its corporate, partnership or limited liability company existence, rights (charter and statutory) and franchises and all authorizations and rights material to its business; provided, however, that neither Alexander's nor any Mortgagor or other Subsidiary shall be required to preserve any right or franchise if the Board of Directors or general partners or managing members of Alexander's or such Mortgagor or other Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of the business of Alexander's or such Mortgagor or other Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to Alexander's, such Mortgagor, such other Subsidiary or Vornado.

(f) Inspection Rights. At any reasonable time and from time to time, in each case upon reasonable prior notice and at such times as shall not unreasonably disrupt tenants, permit Vornado or any agents or representatives thereof, to examine, audit and make copies of and abstracts from the records and books of account of, and visit the properties of, Alexander's and any Mortgagor or other Subsidiary, and to discuss the affairs, finances and accounts of Alexander's and any Mortgagor or other Subsidiary with any of their officers or directors and with their independent certified public accountants.

(g) Keeping of Books. Keep, and cause each Mortgagor and other Subsidiary to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of Alexander's and each such Subsidiary in accordance with generally accepted accounting principles in effect from time to time consistently applied.

(h) Compliance with Terms of Lease Agreements. Perform and cause each Subsidiary to perform timely all of the obligations, covenants and agreements of the landlord contained in any lease now or hereafter affecting any

of the Properties and require the timely performance by the tenant of all of the obligations, covenants and agreements to be performed by such tenant.

(i) Approval of Leases. Alexander's shall not, and shall cause each Mortgagor and other Subsidiary not to, lease space at any of the Properties without Vornado's consent, which consent shall not unreasonably be withheld, provided, however, that no such consent of Vornado shall be required for any lease of 10,000 square feet or less unless (i) such lease requires Vornado to provide a non-disturbance agreement to the lessee or (ii) such lease is not on commercially reasonable terms.

(j) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under the Reimbursement Documents with any of their Affiliates or any Permitted Related Owners on terms that are fair and reasonable and no less favorable to Alexander's or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate. Transactions with Vornado, Vornado Realty Trust and any of its Affiliates pursuant to agreements existing as of the date hereof among Alexander's or its Subsidiaries and Vornado Realty Trust and its Affiliates are approved.

(k) Maintenance of Properties. Maintain or cause to be maintained the Properties and all other items constituting Collateral.

(l) Compliance with Reimbursement Documents. Comply and cause each Reimbursement Party to comply with all of its covenants set forth in each of the Reimbursement Documents.

(m) After Acquired Properties. Subject to the requirements of (i) liens existing at the time of acquisition, (ii) purchase money mortgage liens and (iii) liens in connection with construction or development financing which construction or development financing is reasonably acceptable to Vornado, grant to Vornado a valid mortgage lien on, or spread the lien of a Mortgage to encumber, any real property acquired by Alexander's or any Subsidiary after the date hereof. It is understood and agreed that so long as the Construction Loan (and any refinancing thereof that has been approved by Vornado and that does not permit a mortgage in favor of Vornado to be granted with respect to the Lexington Avenue Property) shall remain outstanding, no such mortgage shall be required with respect to the 59th Street Property.

(n) [Intentionally Omitted]

(o) Flushing Property. To keep at all times the ground lease covering the Flushing Property in full force and effect.

(p) [Intentionally Omitted]

(q) Compliance with Terms of Loan Agreements and Other Contracts. Cause 731 Commercial Sub and 731 Residential Sub, as applicable, to timely perform all of the obligations, covenants and agreements of (i) the borrower in the Loan Agreements and the other Loan Documents (as such term is defined in the Loan Agreements), (ii) the owner under the Architect's Contract, the Construction Management Agreement and the Major Trade Contracts (as those terms are defined in the Loan Agreements) and (iii) the landlord under the Bloomberg Lease (as such term is defined in the Loan Agreements).

(r) Cooperation. Cooperate with and assist, and cause 731 Commercial Sub and 731 Residential Sub to cooperate with and assist, Vornado (as contemplated under the Completion Guaranty) to exercise all rights of 731 Commercial Sub and 731 Residential Sub under the Loan Agreement, including, without limitation, the right to make requests for Advances (as defined in the Loan Agreement) and to satisfy conditions precedent thereto, the right to make change orders and the right to re-allocate Line Items on the Budget (as those terms are defined in the Loan Agreement).

For purposes of this Section 6.01, the term "cause 731 Commercial Sub and/or 731 Residential Sub" (or any variation of such term) and the term "cause any Subsidiary" (or any variation of such term, but only as it relates to 731 Commercial Sub and/or 731 Residential Sub) shall mean for Alexander's to take action in its capacity as the sole member of 731 Commercial Holdings LLC and the sole regular member of 731 Residential Holdings LLC, as the case may be, which entities are the sole members of 731 Commercial Sub and 731 Residential Sub, respectively.

SECTION 6.02. Negative Covenants. So long as the Completion Guaranty and/or the Limited Recourse Guaranty shall remain outstanding or any portion of the Reimbursement Obligations shall remain unpaid, Alexander's (in its capacity as the sole member of 731 Commercial Holdings LLC and the sole regular member of 731 Residential Holdings LLC, which entities are the sole members of 731 Commercial Sub and 731 Residential Sub, respectively) will not, or permit any other Reimbursement Party to, at any time, without the written consent of Vornado:

(a) Liens, Etc. Create, incur, assume or suffer to exist, or permit any Reimbursement Party or Subsidiary to create, incur, assume or suffer to exist, any Lien on or with respect to any of its properties of any character (including, without limitation, accounts) whether now owned or hereafter acquired, or file, or permit any Reimbursement Party or Subsidiary to file, under the Uniform Commercial Code of any jurisdiction, a financing statement that names Alexander's or any Mortgagor or Subsidiary as debtor, or sign, or permit any Reimbursement Party or Subsidiary to sign, any security agreement authorizing any secured party thereunder to file such financing statement, or assign, or permit any Mortgagor or Subsidiary to assign, any accounts or other right to receive income, excluding, however, from the operation of the foregoing restrictions the following:

Documents;

- (i) Liens created by the Reimbursement Documents or Senior Loan

- (ii) Permitted Liens;

- (iii) Liens permitted under the Other Vornado Loan Documents;

- (iv) Liens created by the Loan Agreements or the other documents entered into in connection with the Loan Agreements (and any refinancings of the Construction Loan approved by Vornado or any workouts or additional financings by the holders of the Construction Loan to 731 Residential Sub and/or 731 Commercial Sub); and

- (v) Liens otherwise consented to by Vornado in writing.

(b) Debt. Create, incur, assume or suffer to exist, or permit any Mortgagor or Subsidiary to create, incur, assume or suffer to exist, any Debt other than:

Documents;

- (i) Debt under the Reimbursement Documents or the Senior Loan

- (ii) Debt permitted under the Other Vornado Loan Documents;

- (iii) [Intentionally Omitted];

Vornado;

- (iv) Subordinate Debt or subordinated indebtedness approved by

- (v) The Construction Loan and any other Debt incurred pursuant to the Loan Agreements (and any refinancings of the Construction Loan approved by Vornado or any workouts or additional financings by the holders of the Construction Loan to 731 Residential Sub and/or 731 Commercial Sub); and

- (vi) Debt secured by Permitted Liens.

(c) Mergers, Etc. Merge into or consolidate with any Person or permit any Person to merge into it, or permit any Reimbursement Party or Subsidiary to do so, except that: (i) any Reimbursement Party may merge into or consolidate with any other Reimbursement Party, provided that, in the case of any such consolidation, the Person formed by such consolidation shall be a wholly owned Subsidiary of Alexander's, and provided further, that Alexander's shall pledge and grant to Vornado a first priority perfected lien in and security interest on the capital stock or other equity interests of such Subsidiary owned by Alexander's to Vornado as further collateral for the Reimbursement Obligations; and (ii) any Subsidiary or Permitted Related Owner that is not a Reimbursement Party may merge into or consolidate with any Subsidiary or Permitted Related Owner which is not a Reimbursement Party.

(d) Investments in Other Persons. Purchase or acquire the obligations or stock of, or any other interest in, any Person (other than a Permitted Related Owner), except such investments as are made with surplus cash and do not expose Alexander's to any risk of loss in excess of the amount of cash invested.

(e) Loans, etc. Make, or permit any Mortgagor or Subsidiary to make, loans to any Person, other than to Alexander's, a wholly owned Subsidiary or a Permitted Related Owner.

(f) Dividends, Etc. Declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its capital stock or any warrants, rights or options to acquire such capital stock, now or hereafter outstanding (except that Permitted Related Owners may pay dividends to Alexander's) return any capital to its stockholders as such, make any distribution of assets, capital stock, warrants, rights, options, obligations or securities to its stockholders as such or issue or sell any capital stock or any warrants, rights or options to acquire such capital stock (except for capital stock issued by Permitted Related Owners), or permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any capital stock of Alexander's or any warrants, rights or options to acquire such capital stock or to issue or sell any capital stock or any warrants, rights or options to acquire such capital stock; provided, however, that nothing contained in this section shall prohibit Alexander's from (i) paying a dividend or making a distribution in the form of, or from the proceeds of an issuance of, subordinated indebtedness or otherwise (including, without limitation, payment in cash) as may reasonably be required, based upon the advice of counsel, to enable Alexander's to qualify as a REIT under the Code or (ii) paying a dividend or making a distribution from the proceeds of the issuance by Alexander's of equity securities.

(g) Change in Nature of Business. Make, or permit any Mortgagor or Subsidiary to make, any material change in the nature of its business as carried on at the date hereof and will not, nor permit any Mortgagor or Subsidiary to, remove, demolish, materially alter, discontinue the use of, sell, transfer, assign, hypothecate, pledge or otherwise dispose of, except as permitted hereunder and for sales, transfers, assignments and pledges to Subsidiaries or Permitted Related Owners, any part of its assets necessary for the continuance of its business, as presently conducted and as presently contemplated, except (i) in the normal course of business, and (ii) in connection with the Construction Loan, other Development Financings or Special Financings; notwithstanding the foregoing, no Mortgagor or other Subsidiary shall transfer any Property except to a Permitted Related Owner.

(h) Charter Amendments. Amend, or permit any Mortgagor or Subsidiary to amend, its certificate of incorporation or bylaws, partnership agreement, certificate of limited partnership, operating agreement or certificate of limited liability company.

(i) Accounting Changes. Make or permit, or permit any Mortgagor or Subsidiary to make or permit, any change in accounting policies or reporting practices, except as required by generally accepted accounting principles.

(j) Amendment, Etc. of Related Documents. Except as may be required in order for Alexander's to qualify as a REIT under the Code, with respect to (i) the Management Agreement, (ii) the Leasing Agreement, (iii) the Senior Loan Documents, (iv) Major Leases, (v) the Other Vornado Loan Documents, (vi) the Architects Contract, (vii) the Bloomberg Lease, (viii) the Construction Management Agreement, (ix) the Loan Agreement and the other Loan Documents and (x) the Major Trade Contracts, cancel or terminate or consent to or accept any cancellation or termination thereof, amend, modify or change in any material manner any term or condition thereof, waive any material default under or any material breach of any material term or condition thereof, agree in any manner to any other amendment, modification or change of any material term or condition thereof or take any other action in connection therewith that would impair the value of the interest or rights of Alexander's or any Subsidiary thereunder or that would impair the rights or interests of Vornado, or permit any Mortgagor or other Subsidiary to do any of the foregoing.

(k) Future Speculative Development. Develop, or permit any Mortgagor or Subsidiary to develop, any undeveloped real property owned by Alexander's or such Mortgagor or Subsidiary in the absence of executed leases approved by Vornado for more than 50% of the projected leasable space on such property; provided that development of the Project shall be permitted.

(l) Negative Pledge. Except in connection with (i) Existing Debt, (ii) Secured Debt permitted hereby, (iii) Subordinate Debt permitted hereby, (iv) the Construction Loan, and (v) Permitted Liens, but only to the extent expressly permitted herein, Alexander's shall not enter into any covenant or other agreement that prevents it or could prevent it in the future from pledging, granting a security interest in, mortgaging, assigning, encumbering or otherwise creating a lien on any of its property (whether real or personal, tangible or intangible, and now owned or hereafter acquired) in favor of Vornado, or that would be breached if Alexander's were to pledge, grant a security interest in, mortgage, assign, encumber or otherwise create a lien on any of its property (whether real or personal, tangible or intangible, and now owned or hereafter acquired) in favor of Vornado.

(m) Future Property Acquisition. Except as permitted in Section 7.01, acquire, or permit any Mortgagor or Subsidiary to acquire, any real property without the consent of Vornado and without executing and delivering or causing such Mortgagor or Subsidiary to execute and deliver any instrument Vornado may deem necessary or desirable to effectuate such real property becoming additional security for the Reimbursement Obligations in accordance with Section 6.01(m).

(n) Payments Under Subordinate Loan Documents. Make any payment in respect of any Subordinate Debt (i) at any time while any amount shall be due and owing under any of the Reimbursement Documents or (ii) after the Loan shall have matured or Vornado shall have accelerated payment of the Loan pursuant to Section 6.01 or prepay any Subordinate Debt while at any time that any Reimbursement Obligation remains unpaid other than as provided in Section 6.02(r).

(o) [Intentionally Omitted]

(p) Transfer of Properties. Transfer title to any of the Properties except to (i) any Mortgagor, (ii) any Person described in clause (a) of the definition of Permitted Related Owner, (iii) any Person described in clause (b) of the definition of Permitted Related Owner or (iv) with respect to the Lexington Avenue Property, 731 Commercial Sub, 731 Residential Sub and/or the holders of the Construction Loan (or their nominee or nominees) as part of a deed in lien transaction, provided that, (x) in the case of clause (iii), a receiver of a Property sought to be transferred to such Permitted Related Owner has proposed to enter into a lease at such Property or take any other action which would materially adversely affect Alexander's qualification as a REIT and Alexander's has given 10 days' notice to Vornado of its intention to transfer such Property to such Permitted Related Owner and (y) in the case of the Lexington Avenue Property, residential condominium units may be sold.

(q) Issuance of Shares. Issue, or permit any Subsidiary (other than a Permitted Related Owner) to issue any shares of stock that are not issued as of the date hereof, except that notwithstanding this section Alexander's shall be permitted to (i) issue shares of stock at any time so long as, taking into account such issuance, Vornado Realty Trust and its Affiliates (including for this purpose Interstate Properties) shall continue to own in the aggregate not less than 20% of the outstanding shares of common stock of Alexander's and (ii) issue shares of stock pursuant to stock options that have been granted by Alexander's as of the date hereof, and provided further, with respect to Alexander's only, that an automatic exchange involving Excess Stock as defined in and pursuant to Alexander's Amended and Restated Certificate of Incorporation shall not be treated as an issuance of shares for purposes of this section.

(r) [Intentionally Omitted]

(s) [Intentionally Omitted]

SECTION 6.03. Reporting Requirements. So long as the Completion Guaranty and/or the Limited Recourse Guaranty shall remain outstanding or any portion of the Reimbursement Obligations shall remain unpaid, Alexander's will, unless Vornado shall otherwise consent in writing, furnish to Vornado:

(a) Quarterly Financials. (i) As soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of Alexander's, Alexander's Quarterly Report on Form 10-Q for the preceding quarter as filed with the Securities and Exchange Commission (the "Commission"), containing unaudited financial statements as required by law; and (ii) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year, an unaudited consolidating balance sheet of Alexander's and its Subsidiaries as of the end of such quarter and consolidating statement of operations and cash flows of Alexander's and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding period of the preceding fiscal year, all in reasonable detail and represented to be true and correct (subject to year-end audit adjustments) by the Chairman of the Board of Alexander's or other officer of Alexander's.

(b) Annual Financials. (i) As soon as available and in any event within 90 days after the end of each fiscal year of Alexander's, a copy of Alexander's Annual Report on Form 10-K for such fiscal year as filed with the Commission; and (ii) as soon as available and in any event within 120 days after the end of each fiscal year, an unaudited consolidating balance sheet of Alexander's and its Subsidiaries as of the end of such fiscal year and an unaudited consolidating statement of operations and cash flows of Alexander's and its Subsidiaries for such fiscal year, represented to be true and correct by the Chairman of the Board of Alexander's or other officer of Alexander's.

(c) Litigation. Promptly after the commencement thereof, notice of all actions, suits, investigations, litigation and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting any Reimbursement Party of the type described in Section 5.01(j), and promptly after the occurrence thereof, notice of any material adverse change in the status of the Disclosed Litigation from that described on Schedule I to the Other Vornado Credit Agreements.

(d) Environmental Conditions. Promptly after the occurrence thereof, notice of any condition or occurrence on any Property that results in a material noncompliance by any Reimbursement Party or any of its Subsidiaries with any Environmental Law or Environmental Permit or would be reasonably likely to (i) form the basis of an Environmental Action against any Reimbursement Party or any of its Subsidiaries or any Property that could have a Material Adverse Effect or (ii) cause any Property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

(e) Financial Data for Each Property. Not later than 120 days after the end of each fiscal year, and not later than 60 days after the end of each fiscal quarter, financial data in form reasonably satisfactory to Vornado relating to the

operation of each of the Properties, including, without limitation, certified rent roll and summary of leases represented as true and correct by the Chairman of the Board of Alexander's or other officer of Alexander's.

(f) Budget. To the extent required and received under the Management Agreement, not less than 30 days prior to the commencement of each fiscal year, an annual operating budget relating to the Properties for the upcoming fiscal year including, without limitation, the projected gross rental income and projected operating expenses on a line item basis, provided, however, nothing herein contained shall be deemed to require Alexander's to comply with such budgets.

(g) Other Information. Such other information respecting the business, financial condition, operations, performance or properties of any Reimbursement Party as Vornado may from time to time reasonably request.

SECTION 6.04. Covenants of Vornado. (a) Vornado hereby covenants to Alexander's that it will not exercise any rights, including rights exercisable upon the occurrence of an Event of Default, that it has arising from or as a result of this Agreement or any related agreement to cause Alexander's or any Subsidiary of Alexander's or any Permitted Related Owner to (i) enter into a lease or lease amendment that either (A) provides for payments that are based, directly or indirectly (including through sub-leasing), upon the net "income or profits" of any person (as defined in Section 856(d) (2) of the Code) or (B) requires Alexander's or any Subsidiary of Alexander's or any Permitted Related Owner to provide a service to a tenant, other than through an independent contractor (as defined in Section 856(d)(2) of the Code), where the provision of such service by Alexander's or any of its Subsidiaries or any Permitted Related Owner would cause rents received by Alexander's or any of its Subsidiaries to fail to be "rents from real property" under Section 856(d)(2) of the Code, (ii) engage in a new line of business which (A) is unrelated to the development or leasing of real property and (B) would create a substantial risk, as a result of its generation of income not described in Section 856(c)(2) or (c)(3) of the Code, that Alexander's would fail to qualify as a REIT under the Code or (iii) acquire an asset that would cause Alexander's to fail to satisfy the asset test of Section 856(c)(5) of the Code; provided, however, that the foregoing covenants of this Section 6.04(a) shall not preclude Vornado from collecting amounts due to Vornado under this Agreement or from foreclosing on any property securing such indebtedness or (y) be deemed to have been breached or violated by Vornado as a result of any act or action (including, without limitation, the execution of a lease) made, done or taken by any receiver for any property of any Reimbursement Party (including a receiver appointed at the request of Vornado) unless a motion to compel such act or action was made by Vornado to the court which appointed such receiver.

(b) Vornado agrees to use reasonable efforts to preserve the confidentiality of any Confidential Information received by it from Alexander's except as required by law or court order.

(c) [Intentionally Omitted]

(d) Vornado shall execute and deliver a non-disturbance agreement substantially in the form of Exhibit C to the Vornado LOC Agreement (with such changes as Vornado may reasonably request) in connection with any lease approved by Vornado pursuant to Section 6.01(i) where the tenant is a nationally recognized credit-worthy retail tenant, provided that the tenant under such Lease shall require such non-disturbance agreement.

ARTICLE VII

SPECIAL PROVISIONS

SECTION 7.01. Condemnation and Casualty. (a) In the event of any condemnation or casualty of any Property in part or in the entirety, the proceeds of such condemnation or casualty, to the extent not retained or otherwise applied by the holder of any mortgage securing Senior Debt on such Property or by the holder of the Construction Loan, applied as required pursuant to any Major Lease approved by Vornado at the Property or applied by such mortgagee or in accordance with such Major Lease either to restore the improvements on such Property or to reduce such Senior Debt or the Construction Loan, as applicable, applied as required pursuant to any condominium declaration and/or related by-laws affecting any Property that has previously been approved by Vornado to restore the improvements on such Property or applied in accordance with the Other Vornado Loan Documents, shall be immediately deposited by Borrower in a cash collateral account to be maintained by Alexander's at a depository designated by Vornado and under the sole dominion and control of Vornado (the "Cash Collateral Account") pursuant to a cash collateral agreement to be entered into between Alexander's, Vornado and such Depository (the "Cash Collateral Agreement"); (such proceeds of condemnation so deposited being herein called "Condemnation Proceeds"; such proceeds of casualty so deposited being herein called "Casualty Proceeds"; and Condemnation Proceeds and/or Casualty Proceeds being herein called "Proceeds") and shall constitute additional collateral for the Reimbursement Obligations.

(b) Provided that no Default or Event of Default shall have occurred and be continuing, Alexander's shall be entitled to withdraw any Condemnation Proceeds from the Cash Collateral Account for the purpose of acquiring additional real estate assets with the consent of Vornado, which consent shall not be unreasonably withheld, provided that, subject to the Senior Loan Documents, the Loan Agreements and the Other Vornado Loan Documents, (i) Borrower shall have delivered to Lender an appraisal for such real estate (x) for an amount at least equal to the amount of the Condemnation Proceeds sought to be withdrawn by Alexander's to purchase such real estate and (y) issued by an appraisal company and in form and substance reasonably satisfactory to Vornado; (ii) Alexander's shall have delivered to Vornado environmental, engineering and such other studies, reports, documents, title reports, violation searches and other information relating to such real estate as would be generally required by Vornado in accordance with good institutional lending practices, all of which studies, reports, documents and other information shall be in form and substance reasonably satisfactory to Vornado; (iii) Vornado shall be granted a priority lien

mortgage on said real estate to further secure the Reimbursement Obligations (the "Additional Mortgage"); (iv) Alexander's shall have delivered to Vornado a paid-up mortgage title insurance policy in favor of Vornado, insuring the Additional Mortgage as a second priority mortgage, subject only to the lien of the Senior Loans, on such real estate, subject to no encumbrances or other title exceptions except those title exceptions which Vornado reasonably determines are acceptable based on good institutional lending practices; and (v) Alexander's shall have paid all reasonable costs and expenses of Vornado (including reasonable attorneys' fees and expenses) incurred by Vornado in connection with the review of any of the foregoing conditions.

(c) Alexander's shall also have the right to withdraw the Condemnation Proceeds remaining in the Cash Collateral Account to pay for the cost of constructing improvements on any Property, and Alexander's shall have the right to withdraw any Casualty Proceeds in the Cash Collateral Account to pay for the repair and restoration of improvements whose damage or destruction generated such Casualty Proceeds, provided that, in all cases, subject to the Senior Loan Documents, the Loan Agreements, any condominium declaration and/or related by-laws affecting such Property that has previously been approved by Vornado, and the Other Vornado Loan Documents: (i) no Default or Event of Default shall be continuing; (ii) Vornado shall have approved the plans and specifications for the construction of such improvements as well as the general contract and other major contracts to be entered into by Alexander's in connection with such construction, which approval will not unreasonably be withheld; (iii) Vornado shall have received such certification and assurances as Vornado shall reasonably request to assure it that the cost of constructing the improvements as shown on the plans approved by Vornado does not exceed the amount of the Proceeds sought to be withdrawn by Alexander's to pay for such improvements; and (iv) Vornado may impose such further conditions and restrictions upon the disbursement of such Proceeds as Vornado deems necessary or desirable, consistent with prudent institutional construction lending practices, to assure the completion of the proposed improvements subject to no liens or encumbrances (except Permitted Liens) and in accordance with the aforesaid approved plans and all applicable laws.

SECTION 7.02. Payment of REIT Dividends. In the event that Alexander's shall determine, upon the advice of counsel then generally used by Alexander's for tax advice, that it shall be required to pay a dividend or make a distribution to stockholders in order to preserve its qualification as a REIT, whether or not the Proceeds shall have been applied as contemplated pursuant to Section 7.01(b) or (c), then, anything herein to the contrary notwithstanding, Alexander's may, with the consent of Vornado (i) incur unsecured subordinated indebtedness for the purpose of paying such dividend or making such distribution or to pay such dividend or make such distribution in the form of subordinated indebtedness and/or (ii) withdraw Proceeds from the Cash Collateral Account to pay such dividend or make such distribution.

SECTION 7.03. [Intentionally Omitted]

ARTICLE VIII

EVENTS OF DEFAULT

SECTION 8.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) Alexander's or any other Obligor, as applicable, shall fail to pay (i) any Immediate Reimbursement Obligation or any principal of any Loan, when the same becomes due and payable or (ii) any other payment under any Reimbursement Document, in each case under this clause (ii) within five days after notice of the same becoming due and payable; or

(b) any representation or warranty made by any Reimbursement Party (or any of its officers) under or in connection with any Reimbursement Document shall prove to have been incorrect in any material respect when made; or

(c) Alexander's shall fail to perform or observe, in any material respect, any term, covenant or agreement contained in Section 6.02; or

(d) except as otherwise specified in such Reimbursement Document, any Reimbursement Party shall fail to perform any other term, covenant or agreement contained in any Reimbursement Document on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice (or such longer period, if any, as may be set forth in the applicable covenant or agreement) thereof shall have been given to Alexander's by Vornado; or

(e) any Reimbursement Party or any of its Subsidiaries shall fail to pay any principal of, premium or interest on or any other amount payable in respect of any Senior Debt (other than the Construction Loan) or any Subordinated Debt (other than the Debt under the Senior Loan Documents) of such Reimbursement Party or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable notice and grace period, if any, specified in the agreement or instrument relating to such Senior Debt or Subordinated Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Senior Debt or any Subordinated Debt (other than the Debt under the Senior Loan Documents) and shall continue after the applicable notice and grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate the maturity of such Senior Debt or Subordinated Debt or otherwise to cause such Senior Debt or Subordinated Debt to mature; or any such Senior Debt or Subordinated Debt shall be declared to be due and payable or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or

defeasance such Senior Debt or Subordinated Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(f) any Reimbursement Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Reimbursement Party seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it) that is being diligently contested by it in good faith, either such proceeding shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or any substantial part of its property) shall occur; or any Reimbursement Party shall take any corporate action to authorize any of the actions set forth above in this Section 8.01(f); or

(g) any judgment or order for the payment of money in excess of \$500,000 shall be rendered against any Reimbursement Party, and either (i) enforcement proceedings shall have been commenced and be continuing by any creditor upon such judgment or order or (ii) there shall be any period of 20 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) any non-monetary judgment or order shall be rendered against any Reimbursement Party that is reasonably likely to have a Material Adverse Effect, and there shall be any period of 20 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(i) any material provision of any Reimbursement Document after delivery thereof shall for any reason cease to be valid and binding on or enforceable against any Reimbursement Party to it, or any such Reimbursement Party shall so state in writing; or

(j) except as otherwise permitted under Section 6.02(a), any Collateral Document after delivery thereof shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected Lien on the Collateral purported to be covered thereby with the priority of liens set forth therein; or

(k) [Intentionally Omitted]

(l) any Event of Default (as such term is defined in any Mortgage or other Reimbursement Document) shall occur and be continuing; or

(m) any Event of Default (as such term is defined in the Building Loan Agreement, the Project Loan Agreement or the Supplemental Loan Agreement) shall occur and be continuing; or

(n) Any Event of Default (as such term is defined in the Other Vornado Credit Agreements) shall occur and be continuing;

then, and in any such event, Vornado may, by notice to Alexander's, declare the Reimbursement Obligations, together with all interest thereon and all other amounts payable under this Agreement and the other Reimbursement Documents, to be forthwith due and payable, whereupon the Reimbursement Obligations, the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by Alexander's and the other Obligors; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to any Reimbursement Party under the United States Bankruptcy Code, the Reimbursement Obligations, the Notes, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by Alexander's and the other Obligors.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Notes, nor consent to any departure by Alexander's or the other Obligors therefrom, shall in any event be effective unless the same shall be in writing and signed by Alexander's, the other Obligors and Vornado, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 9.02. Notices, Etc. All notices and communications under this Credit Line Agreement shall be in writing and shall be given by either (a) hand-delivery, (b) facsimile transmission, (c) first class mail (postage prepaid), or (d) reliable overnight commercial courier (charges prepaid)

(i) if to the Obligors, to:

Alexander's Inc.
c/o Vornado Realty Trust
210 Route 4 East
Paramus, New Jersey 07652
Attention: Chief Financial Officer
Facsimile No.: (201) 587-0600

and to:

731 Commercial LLC
731 Residential LLC
c/o Vornado Realty Trust
888 Seventh Avenue
New York, New York 10019
Attention: Chief Financial Officer
Facsimile No.: (212) 894-7070

(ii) with a copy to:

Winston & Strawn
200 Park Avenue
New York, New York 10166
Facsimile No.: (212) 294-4700
Attention: Neil Underberg

(iii) if to Vornado, to:

Vornado Realty L.P.
c/o Vornado Realty Trust
210 Route 4 East
Paramus, New Jersey 07652
Attention: Chief Financial Officer
Facsimile No.: (201) 587-0600

Notice shall be deemed to have been given and received: (i) if by hand delivery, upon delivery; (ii) if by facsimile, upon transmission; (iii) if by mail, three (3) calendar days after the date first deposited in the United States mail; and (iv) if by overnight courier, on the date scheduled for delivery. A party may change its address by giving written notice to the other party as specified herein.

SECTION 9.03. No Waiver; Remedies. No failure on the part of Vornado to exercise, and no delay in exercising, any right hereunder or under the Notes shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 9.04. Costs, Expenses. (a) Alexander's agrees to pay on demand (i) all reasonable costs and expenses of Vornado in connection with the preparation, execution, delivery, administration, modification and amendment of the Reimbursement Documents (including, without limitation, the reasonable fees and expenses of counsel for Vornado with respect thereto) and (ii) all reasonable costs and expenses of Vornado in connection with the enforcement of the Reimbursement Documents, whether in any action, suit or litigation, any bankruptcy, insolvency or other similar proceeding affecting creditors' rights generally or

otherwise (including, without limitation, the reasonable fees and expenses of counsel for Vornado with respect thereto).

(b) The Obligors agree to indemnify and hold harmless Vornado and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with (i) the transactions contemplated hereby, (ii) the actual or alleged presence of Hazardous Materials on any Property or any Environmental Action relating in any way to any Reimbursement Party or any of its Subsidiaries, (iii) disputes with any architect, general contractor, subcontractor, materialman or supplier, or on account of any act or omission to act by Vornado in connection with any Property, (iv) any untrue statement of a material fact contained in information submitted to Vornado by Alexander's or the omission of any material fact necessary to be stated therein in order to make such statement not misleading or incomplete, (v) the failure of Alexander's or any Reimbursement Party to perform any obligations required to be performed by Alexander's or any Reimbursement Party under any Reimbursement Document and (vi) the ownership, construction, occupancy, operation, use or maintenance of any of the Properties, in each case whether or not the transactions contemplated hereby are consummated, except to the extent such claim, damage, loss, liability or expense is found to have resulted from any Indemnified Party's gross negligence or willful misconduct. Notwithstanding the foregoing provisions of this Section 9.04(b), the Obligors shall have no obligation to indemnify any Indemnified Party against, or hold it harmless from, (i) any judgment rendered by a court of competent jurisdiction against any Indemnified Party and in favor of the Obligors, or (ii) any legal fees and expenses incurred by the Indemnified Party in defending the action brought by the Obligors which resulted in such judgment in favor of the Obligors, but the foregoing provisions of this sentence shall not diminish or otherwise affect the Obligors liability for payment of all legal fees and expenses incurred by Vornado in enforcing Vornado's rights and remedies under any of the Reimbursement Documents.

(c) In case any action shall be brought against Vornado or any other Indemnified Party in respect of which indemnity may be sought against the Obligors, Vornado or such other Indemnified Party shall promptly notify the Obligors and the Obligors shall assume the defense thereof, including the employment of counsel selected by the Obligors and reasonably satisfactory to Vornado, the payment of all costs and expenses and the right to negotiate and consent to settlement. The failure of Vornado to so notify the Obligors shall not relieve the Obligors of any liability it may have under the foregoing indemnification provisions or from any liability which it may otherwise have to

Vornado or any of the other Indemnified Parties except to the extent that the Obligors incur actual expenses or suffer actual monetary loss as a result of such failure to give notice. Vornado shall have the right, at its sole option, to employ separate counsel and as long as the Obligors are complying with their indemnification obligations hereunder, the fees and disbursements of such separate counsel shall be paid by Vornado. The Obligors shall not be liable for any settlement of any such action effected without its consent, but if settled with the Obligors' consent, or if there be a final judgment for the claimant in any such action, the Obligors agree to indemnify and save harmless Vornado from and against any loss or liability by reason of such settlement or judgment.

(d) If any Reimbursement Party fails to pay when due any costs, expenses or other amounts payable by it under any Reimbursement Document, including, without limitation, fees and expenses of counsel and indemnities, such amount may be paid on behalf of such Reimbursement Party by Vornado, in its sole discretion.

(e) The provisions of this Section 9.04 shall survive the repayment or other satisfaction of the Obligors' Obligations hereunder.

SECTION 9.05. Merger. This Agreement and the other Reimbursement Documents constitute the sole agreement of the parties with respect to the transactions contemplated herein and therein and supersede all oral negotiations and prior writings with respect thereto.

SECTION 9.06. Binding Effect. This Agreement shall become effective when it shall have been executed by the Obligors and Vornado and thereafter shall be binding upon and inure to the benefit of the Obligors, Vornado and their respective successors and assigns, except that the Obligors shall not have the right to assign their rights hereunder or any interest herein without the prior written consent of Vornado.

SECTION 9.07. Vornado's Discretion. Except as otherwise specified in this Agreement, whenever this Agreement provides that Vornado's consent or approval is required, or that any action may be taken or not taken at Vornado's option, such consent or approval may be given or not, and such action may be taken or not, in Vornado's sole discretion. Any reference in this Agreement to Vornado's consent or approval being required shall be deemed to refer to Vornado's prior consent or approval given in writing.

SECTION 9.08. Participations. (a) Vornado may sell participations in up to one-third of its rights and obligations under this Agreement (including, without limitation, of its Loans and the Notes held by it) (the purchaser of any rights and obligations being referred to herein as a "Participant"); provided, however, that (i) the obligations of the Obligors and Vornado under this Agreement and the other Reimbursement Documents shall remain unchanged, (ii) Vornado shall remain solely responsible to the other parties hereto for the performance of such obligations (iii) the Obligors shall continue to deliver all notices, communications and payments solely to Vornado and any such notice, communication or payment shall be valid and effective for all purposes hereunder notwithstanding any such sale of participations and (iv) Vornado shall

remain solely responsible for its obligations under Section 2.01. Upon the sale of any participation permitted hereunder, the Obligors shall cooperate with such reasonable requests of Vornado, at the sole expense of Vornado, to sever and split the note issued hereunder among Vornado and any Participants.

(b) Vornado may, in connection with any participation or proposed participation pursuant to this Section 9.08, disclose to the Participant or proposed Participant, any information relating to the Obligors furnished to Vornado by or on behalf of Alexander's; provided, however, that, prior to any such disclosure, the Participant or proposed Participant shall agree to preserve the confidentiality of any Confidential Information received by it from Vornado.

(c) Notwithstanding any other provision set forth in this Agreement, Vornado may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Loans and the Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 9.09. GOVERNING LAW. THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 9.10. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.11. Waiver of Jury Trial. Each of the Obligors and Vornado hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to any of the Reimbursement Documents, the Reimbursement Obligations, the Loans or the actions of Vornado in the negotiation, administration, performance or enforcement thereof. The Obligors acknowledge and agree that this section is a specific and material aspect of this Agreement and that Vornado would not extend credit to the Obligors if the waiver set forth in this section were not a part of this Agreement.

SECTION 9.12. Jurisdiction. The Obligors irrevocably appoint each and every owner, partner and/or officer of Alexander's as their attorneys upon whom may be served, by regular or certified mail at the address set forth herein, any notice, process or pleading in any action or proceeding against it arising out of or in connection with this Agreement or any other Reimbursement Document; and the Obligors hereby consent that any action or proceeding against any of them may be commenced and maintained in any court within the State of New Jersey or the State of New York or in the United States District Court for the District of New Jersey or the United States District Court for the Southern District of New York by service of process on any such owner, partner and/or officer; and the Obligors agree that the courts of the

State of New Jersey and the courts for the State of New York and the courts for the United States District Court for the District of New Jersey and the courts for the United States District Court for the Southern District of New York shall have jurisdiction with respect to the subject matter hereof and the person of each of the Obligor and all collateral securing the obligations of the Obligor. The Obligor agree not to assert any defense to any proceeding initiated by Vornado in such court based upon improper venue or inconvenient forum. The foregoing shall not limit, restrict or otherwise affect the right of the Obligor or Vornado to commence any action on this Agreement or any other Reimbursement Document in any other courts having jurisdiction.

SECTION 9.13. Continuing Enforcement. If, after receipt of any payment of all or any part of the Obligor's Obligations hereunder, Vornado is required by law in connection with insolvency, fraudulent conveyance, bankruptcy or similar proceedings to surrender such payment then this Agreement and the other Reimbursement Documents shall continue in full force and effect, and the Obligor shall be liable for, and shall indemnify, defend and hold harmless Vornado with respect to the full amount so surrendered. The provisions of this Section 9.13 shall survive the termination of this Agreement and the other Reimbursement Documents and shall remain effective notwithstanding the payment of the Obligor's Obligations hereunder, the cancellation of the Notes or any other Reimbursement Document, the release of any security interest, lien or encumbrance securing the Obligor's Obligations hereunder or any other action which Vornado may have taken in reliance upon its receipt of such payment. Any cancellation, release or other such action by Vornado shall be deemed to have been conditioned upon any payment of the Obligor's Obligations hereunder having become final and irrevocable.

SECTION 9.14. Loan Agreements. Each of 731 Commercial Sub and 731 Residential Sub hereby agree to directly comply with the covenants contained in Article VI that relate to it, including without limitations, the covenants contained in Section 6.01(r).

Each of the Obligor hereby irrevocably appoint Vornado as its true and lawful attorney-in-fact with full power to take all actions on behalf of Obligor so that they will comply with the terms of Section 6.01(r); it being understood that this appointment is coupled with an interest and that the power granted hereby shall terminate only upon payment in full of all Reimbursement Obligations.

* * *

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ALEXANDER'S, INC.

By:

Name:
Title:

731 COMMERCIAL LLC

By: 731 Commercial Holding LLC

By: Alexander's Inc.

By:

Name:
Title:

731 RESIDENTIAL LLC

By: 731 Commercial Holding LLC

By: Alexander's Inc.

By:

Name:
Title:

VORNADO REALTY L.P.

By: Vornado Realty Trust

By: _____
Name:
Title:

STATE OF)
) ss.:
COUNTY OF)

On the _____ day of _____ in the year 2002, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument, and that such individual made such appearance before the undersigned in New York, New York.

Notary Public

STATE OF)
) ss.:
COUNTY OF)

On the _____ day of _____ in the year 2002, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument, and that such individual made such appearance before the undersigned in New York, New York.

Notary Public

STATE OF)
) ss.:
COUNTY OF)

On the _____ day of _____ in the year 2002, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument, and that such individual made such appearance before the undersigned in New York, New York.

Notary Public

STATE OF)
) ss.:
COUNTY OF)

On the _____ day of _____ in the year 2002, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument, and that such individual made such appearance before the undersigned in New York, New York.

Notary Public

EXHIBIT A
COMPLETION GUARANTY

A-1

EXHIBIT B
LIMITED RECOURSE GUARANTY

B-1

EXHIBIT C

FORM OF GUARANTY

GUARANTY dated as of July 3, 2002 made by each of the signatories hereto (each a "Guarantor" and collectively, the "Guarantors") in favor of VORNADO REALTY L.P., a Delaware limited partnership ("Lender").

PRELIMINARY STATEMENTS:

A. Alexander's, Inc., a Delaware corporation ("Alexander's"), 731 Commercial LLC, a Delaware limited liability company, and 731 Residential LLC, a Delaware limited liability company (each, including Alexander's, a "Borrower" and collectively, "Borrowers") have entered into that certain Reimbursement Agreement, dated as of even date herewith (said agreement, as it may hereafter be amended, restated, supplemented or otherwise modified from time to time, the "Reimbursement Agreement") with Lender, whereby Alexander's has agreed to perform all of the obligations under the Reimbursement Agreement and the other Reimbursement Documents, including, without limitation, the Immediate Reimbursement Obligations and the payment of any amounts owing to Lender under the Loans (such Loans, collectively, the "Loan") made by Lender to Borrowers (collectively, the "Alexander's Reimbursement Obligations").

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Reimbursement Agreement.

C. Each Guarantor is a wholly-owned subsidiary of Alexander's, Inc. and will derive substantial direct and indirect benefit from the transactions as contemplated by the Reimbursement Agreement.

D. It is a condition precedent to Lender entering into the Reimbursement Agreement that each Guarantor shall have guaranteed the Reimbursement Obligations of Alexander's.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Guarantor hereby agrees as follows:

Section 1. Guaranty; Limitation of Liability. Each Guarantor hereby, jointly and severally, unconditionally and irrevocably guarantees the payment and performance by Alexander's of all of the Alexander's Reimbursement Obligations under the Reimbursement Agreement, including, without limitation, the punctual payment in full when due (after giving effect to all applicable grace, cure or similar periods), whether at stated maturity, by acceleration or otherwise, of all amounts owing under any Loans made by Lender to the Borrowers, and all obligations of each other Guarantor, now or hereafter existing under the Reimbursement Documents, whether for principal, interest,

fees, expenses or otherwise (such obligations being the "Guaranteed Obligations"), and agrees to pay any and all expenses (including reasonable counsel fees and expenses) incurred by Lender in enforcing any rights under this Guaranty, together with interest at the Default Rate from the date of each such expenditure to the date of reimbursement. Without limiting the generality of the foregoing, each Guarantor's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by Alexander's or any other Guarantor to Lender under the Reimbursement Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving Alexander's or another Guarantor.

Section 2. Guaranty Absolute. A. Each Guarantor jointly and severally guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of the Reimbursement Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of Lender with respect thereto. The liability of the Guarantors under this Guaranty shall be joint and several, and shall be primary, direct and immediate, and not conditional or contingent upon pursuit by Lender of any remedies it may have against Alexander's or the other Borrowers, or any subsequent obligors under the Reimbursement Agreement, any subsequent mortgagor under the Mortgage, any subsequent debtor under the Note and/or any other party with respect to any Reimbursement Document, whether pursuant to the terms thereof or by law or pursuant to any other security agreement or guaranty. Without limiting the generality of anything contained in this Guaranty, Lender shall not be required to make any demand on Alexander's or the other Borrowers, or the then obligors under the Reimbursement Agreement, the then mortgagors under the Mortgage, the then debtor under the Note and/or any of them or any other party, or exhaust its rights against any security for the performance of Alexander's or the other Borrowers' obligations under the Reimbursement Agreement, the mortgagor's obligations under the Mortgage or the debtor's obligations under the Note before, simultaneously with or after enforcing its rights and remedies hereunder against Guarantors. The obligations of each Guarantor under this Guaranty are independent of the Guaranteed Obligations, and a separate action or actions may be brought and prosecuted against each Guarantor to enforce this Guaranty, irrespective of whether any action is brought against any other Guarantor or any Borrower or whether any other Guarantor or any Borrower is joined in any such action or actions. The liability of each Guarantor under this Guaranty shall be absolute and unconditional irrespective of, and each Guarantor hereby irrevocably waives any defenses it may now or hereafter have in any way relating to, any or all of the following:

(a) any lack of validity or enforceability of any Reimbursement Document or any agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations, or any other amendment or waiver of or any consent to departure from any Reimbursement Document,

including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit under the Reimbursement Documents to the Borrowers or any of their Subsidiaries or otherwise;

(c) any taking, exchange, release or non-perfection of any Collateral, or any taking, release or amendment or waiver of or consent to departure from any other guaranty given in favor of the Lender by any other Guarantor for all or any of the Guaranteed Obligations:

(d) any manner of application of Collateral, or proceeds thereof, to all or any of the Guaranteed Obligations, or any manner of sale or other disposition of any Collateral for all or any of the Guaranteed Obligations or any other assets of the Borrowers or any of their Subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of the Borrowers or any of their Subsidiaries;

(f) the making by any or all of the Borrowers of an assignment for the benefit of creditors, the bankruptcy or insolvency of any or all of the Borrowers, or any action taken by the Borrowers in any bankruptcy or insolvency proceeding, including, without limitation the disaffirmance of any of the Reimbursement Documents; or

(g) any other circumstance (including, without limitation, any statute of limitations) that might otherwise constitute a defense available to, or a discharge of, the Borrowers or a Guarantor.

B. Without incurring responsibility to any Guarantor, and without impairing or releasing the obligations of any Guarantor to Lender, and without reducing the amount due under the terms of this Guaranty (except to the extent of amounts actually paid to Lender), Lender may at any time and from time to time, without the consent of or notice to any Guarantor, upon any terms or conditions, and in whole or in part:

(a) Upon an Event of Default, sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order, any property at any time pledged, mortgaged or in which a security interest is given to secure, or however securing, the Guaranteed Obligations:

(b) Exercise or refrain from exercising any rights against the Borrowers or others (including Guarantor) or against any security for the Guaranteed Obligations or otherwise act or refrain from acting:

(c) Settle or compromise any Guaranteed Obligations, whether in a proceeding or not, and whether voluntarily or involuntarily, or settle or compromise any liability incurred directly or indirectly in respect thereof or hereof, and subordinate the payment of all or any part thereof to the payment of

any Guaranteed Obligations, whether or not due, to creditors of the Borrowers other than Lender and Guarantor;

(d) Apply any sums it receives, by whomever paid or however realized, to any of the Guaranteed Obligations;

(e) Add, release, settle, modify or discharge the obligation of and maker, endorser, guarantor, surety, obligor or any other party who is in any way obligated for any of the Guaranteed Obligations;

(f) Accept any additional security for the Guaranteed Obligations; and/or

(g) Take any other action which might constitute a defense available to, or a discharge of, any or all of the Borrowers or any other obligated party (including Guarantor) in respect of the Guaranteed Obligations.

C. The invalidity, irregularity or unenforceability of all or any part of the Guaranteed Obligations or any Reimbursement Document, or the impairment or loss of any security therefor, whether caused by any action or inaction of Lender or any Affiliate, except for gross negligence or willful misconduct, or otherwise, shall not affect, impair or be a defense to any of Guarantor's obligations under this Guaranty.

D. Each Guarantor acknowledges that in executing and delivering this Guaranty, it has not been induced by and has not relied upon any representations, warranties or statements, whether oral or written, express or implied, made by Lender or any agent, employee or other representative of Lender, which are not expressly set forth on this Guaranty, including, without limitation any representations with respect to (i) the extension of credit; (ii) the intentions of Lender with respect to the enforcement of any document, including this Guaranty or any other Reimbursement Document or other instrument, evidencing or securing, in whole or in part, the Guaranteed Obligations; (iii) the financial condition of Lender, the Borrowers or any guarantor of any of the Guaranteed Obligations; (iv) the value of any collateral for any of the Guaranteed Obligations; or (v) the completeness or accuracy of any statement identifying or summarizing any of the documents evidencing or securing, in whole or in part, the Guaranteed Obligations.

E. This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by Lender upon and in connection with the insolvency, bankruptcy or reorganization of any or all of the Borrowers, all as though such payment had not been made.

Section 3. Waivers. A. Each Guarantor hereby waives: (a) demand, notice, protest, presentment and demand for payment, notice of dishonor, diligence of collection and protest of non-payment; (b) notices of acceptance of this Guaranty and of

presentment, demand and protest; (c) notice of any default hereunder or under any Reimbursement Document, and of all indulgences; (d) demand for observance or performance of, or enforcement of, any terms and provisions of this Guaranty or any of the Reimbursement Documents; (e) all other notices and demands otherwise required by law which Guarantors may lawfully waive; and (f) any requirement that Lender protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against any Borrower or any other Person or any Collateral.

B. Each Guarantor hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to any of the Reimbursement Documents, the transactions contemplated thereby or the actions of Lender in the negotiation, administration, performance or enforcement thereof.

C. Each Guarantor irrevocably waives any present or future claim, right or remedy to which it is now or may hereafter become entitled which arises on account of this Guaranty and/or from the performance by such Guarantor of its obligations hereunder to be subrogated to Lender's rights against the Borrowers or any other obligated party and/or any present or future claim, remedy or right to seek contribution, reimbursement, indemnification, exoneration, payment or the like, or participation in any claim, right or remedy of Lender against the Borrowers or any security which Lender now has or hereafter acquires, whether or not such claim, right or remedy arises under contract, in equity, by statute, under common law or otherwise. If, notwithstanding such waiver, any funds or property shall be paid or transferred to any Guarantor on account of such subrogation, contribution, reimbursement, exoneration or indemnification at any time when all of the Guaranteed Obligations have not been paid in full, such Guarantor shall hold such funds or property in trust for Lender and shall segregate such funds from other funds of Guarantor and shall forthwith pay over to Lender such funds and/or property to be applied by Lender to the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms of the Reimbursement Documents.

D. Each Guarantor waives the right to marshalling of the Borrowers' assets or any stay of execution and the benefit of all exemption laws, to the extent permitted by law, and any other protection granted by law to guarantors, now or hereafter in effect with respect to any action or proceeding brought by Lender against it.

E. Each Guarantor irrevocably waives all claims of waiver, release, surrender, alteration or compromise and all defenses, set-offs, counterclaims, recoupments, reductions, limitations or impairments.

Section 4. Payments Free and Clear of Taxes, Etc. A. Any and all payments made by any Guarantor hereunder shall be made, in accordance with Section 3.08 of the Reimbursement Agreement, free and clear of and without deduction for any and all present or future Taxes. If such Guarantor shall be required by law to deduct any

Taxes from or in respect of any sum payable hereunder to Lender, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Guarantor shall make such deductions and (iii) such Guarantor shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

B. Within 30 days after the date of any payment of Taxes, such Guarantor will furnish to Lender, at its address referred to in the Reimbursement Agreement, appropriate evidence of payment thereof.

Section 5. Representations and Warranties. Each Guarantor hereby represents and warrants as follows:

(a) That such Guarantor (i) is a corporation duly organized and validly existing in good standing under the laws of the State of its incorporation, (ii) is duly qualified and in good standing as a foreign corporation in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed is not reasonably likely to have a Material Adverse Effect, and (iii) has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

(b) The execution, delivery and performance by each Guarantor of this Guaranty are within such Guarantor's corporate or partnership powers, have been duly authorized by all necessary corporate or partnership action, and, to each such Guarantor's knowledge as to itself, do not (i) contravene such Guarantor's organizational documents, (ii) violate any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award, except where such violation is not reasonable likely to have a Material Adverse Effect, (iii) conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting any Guarantor, any of its Subsidiaries or any of their properties, except where such conflict, breach or default is not reasonably likely to have a Material Adverse Effect or (iv) except for the Liens created by the Collateral Documents or as otherwise set forth in the Reimbursement Agreement, result in or require the creation or imposition of any Lien upon or with respect to any of the properties of any Guarantor or any of its Subsidiaries.

(c) Other than (i) as set forth in the Reimbursement Agreement and (ii) where an exercise of remedies requires court approval, no authorization or approval or other action by, and no notice to or filing with, any governmental

authority or regulatory body or any other third party is required for the due execution, delivery and performance by any Guarantor of this Guaranty.

(d) This Guaranty has been duly executed and delivered by each Guarantor. This Guaranty is the legal, valid and binding obligation of each Guarantor, enforceable against each such Guarantor in accordance with its terms.

Section 6. Covenants. Each Guarantor agrees to comply, to the extent applicable to such Guarantor, with the covenants in the Reimbursement Agreement.

Section 7. Subordination. If any Guarantor shall advance any sums to the Borrowers, or if the Borrowers or any of its successors or assigns shall be or shall hereafter become indebted to any Guarantor, such sum and indebtedness shall be subordinate in all respects to the amounts then or thereafter due and owing to Lender under any Reimbursement Document, as such amounts become due and payable. Nothing herein contained shall be construed to give Guarantors any right of subrogation in and to Lender's rights under, or interests in, any Reimbursement Document, until such time as all of the Borrowers' liabilities have been paid in full.

Section 8. REMEDIES.

Upon an Event of Default, all liabilities of each Guarantor hereunder shall become immediately due and payable without demand or notice and, in addition to any other remedies provided by law, Lender may:

(a) Enforce the obligations of each Guarantor and the rights and remedies of Lender under this Guaranty and/or any other Reimbursement Document to which any Guarantor is a party.

(b) Perform any covenant or agreement of any Guarantor in default hereunder (but without obligation to do so) and in that regard pay such money as may be required or as Lender may reasonably deem expedient. Any costs, expenses or fees, including reasonable attorneys' fees and costs, incurred by Lender in connection with the foregoing shall be included in the Guaranteed Obligations and secured by the other Reimbursement Documents, and shall be due and payable on demand, together with interest at the Default Rate, such interest to be calculated from the date of such advance to the date of repayment thereof. Any such action by Lender shall not be deemed to be a waiver or release of such Guarantor hereunder and shall be without prejudice to any other right or remedy of Lender.

Section 9. Amendments, Etc. No amendment or waiver of any provision of this Guaranty and no consent to any departure by any Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by Lender, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 10. Notices, Etc. All notices and other communications provided for hereunder shall be in writing and shall be sent by hand, by certified mail, return receipt requested, or by reputable overnight courier service, and if to a Guarantor, addressed to it at the address set forth below its signature on the signature pages hereto, if to Lender, at its address specified in the Reimbursement Agreement, or as to any party at such other address as shall be designated by such party in a written notice to each other party. Notice to any one Guarantor shall be deemed notice to all Guarantors. All such notices and other communications shall be effective when sent if delivered by hand or by reputable overnight courier service, and when received if sent by certified mail.

Section 11. No Waiver; Remedies. No failure on the part of Lender to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. All rights and remedies of Lender by reason of this Guaranty, any Reimbursement Document, or any other security agreement or guaranty or bylaw, are separate and cumulative and the exercise of one shall not in any way limit or prejudice the exercise of any other rights and remedies. No delay in the exercise of any such right or remedy shall operate as a waiver thereof.

Section 12. Right of Set-off. Except as may be otherwise provided in the Reimbursement Agreement, upon the occurrence and during the continuance of any Event of Default, Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by Lender to or for the credit or the account of a Guarantor against any and all of the Obligations of such Guarantor now or hereafter existing under this Guaranty, whether or not Lender shall have made any demand under this Guaranty and although such Obligations may be unmatured. Lender agrees promptly to notify such Guarantor after any such set-off and application made by Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that Lender may have.

Section 13. Continuing Guaranty; Release.

A. If, after receipt of any payment of all or any part of the Guaranteed Obligations, Lender is compelled by law, in connection with insolvency, fraudulent conveyance, bankruptcy or similar proceedings, to surrender such payment to any person or entity, then this Guaranty and the other Reimbursement Documents shall continue in full force and effect or be reinstated, as the case may be, and Guarantor shall be liable for, and shall indemnify, defend and hold harmless Lender with respect to the full amount so surrendered. The provisions of this Section 13 shall survive the termination of this Guaranty and the other Reimbursement Documents and shall remain effective notwithstanding the payment of the Guaranteed Obligations, the cancellation of the Note, this Guaranty or any other Reimbursement Document, the release of any security interest,

lien or encumbrance securing the Guaranteed Obligations or any other action which Lender may have taken in reliance upon its receipt of such payment. Any cancellation, release or other such action shall be deemed to have been conditioned upon any payment of the Guaranteed Obligations having become final and irrevocable.

B. Settlement of any claim by Lender against any or all of the Borrowers, whether in any proceeding or not, and whether voluntary or involuntary, shall not reduce the amount due under the terms of this Guaranty except to the extent of the amount actually paid by the Borrowers or any other obligated party.

Section 14. Governing Law. This Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 15. Miscellaneous.

A. Remedies Cumulative. The rights and remedies of Lender, as provided herein and in any other Reimbursement Document, shall be cumulative and concurrent, may be pursued separately, successively or together, may be exercised as often as occasion therefor shall arise, and shall be in addition to any other rights or remedies conferred upon Lender at law or in equity. The failure, at any one or more times, of Lender to exercise any such right or remedy shall in no event be construed as a waiver or release thereof. Lender shall have the right to take any action it deems appropriate without the necessity of resorting to any collateral securing this Guaranty.

B. Integration. This Guaranty and the other Reimbursement Documents constitute the sole agreement of the parties with respect to the transaction contemplated hereby and supersede all oral negotiations and prior writings with respect thereto.

C. Attorneys' Fees and Expenses. If Lender retains the services of counsel by reason of a claim of a default or an Event of Default hereunder or under any of the other Reimbursement Documents, or on account of any matter involving this Guaranty, or for examination of matters subject to Lender's approval under the Reimbursement Documents, all costs of suit and all reasonable attorneys' fees (and/or reasonably allocated fees of Lender's in-house legal counsel) and such other reasonable expenses so incurred by Lender shall forthwith, on demand, become due and payable and shall be secured hereby.

D. No Implied Waiver. Lender shall not be deemed to have modified or waived any of its rights or remedies hereunder unless such modification or waiver is in writing and signed by Lender, and then only to the extent specifically set forth therein. A waiver in one event shall not be construed as continuing or as a waiver of or bar to such right or remedy on a subsequent event.

E. No Third Party Beneficiary. Neither Lender nor any Guarantor intends the benefits of this Guaranty to inure to any third party and notwithstanding any

term, condition or provision hereof or of any other Reimbursement Document to the contrary, no third party (including the Borrowers) shall have any status, right or entitlement under this Guaranty.

F. Partial Invalidity. The invalidity or unenforceability of any one or more provisions of this Guaranty shall not render any other provision invalid or unenforceable.

G. Binding Effect. The covenants, conditions, waivers, releases and agreements contained in this Guaranty shall bind, and the benefits thereof shall inure to, the parties hereto and their respective heirs, executors, administrators, successors and assigns: provided, however, that this Guaranty cannot be assigned by any Guarantor without the prior written consent of Lender, and any such assignment or attempted assignment by Guarantor shall be void and of no effect with respect to Lender.

H. Modifications. This Guaranty may not be supplemented, extended, modified or terminated except by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

I. Sales or Participations. Lender may from time to time sell or assign, in whole or in part, or grant participations in the Loan, the Note and/or the obligations evidenced thereby. The holder of any such sale, assignment or participation, if the applicable agreement between Lender and such holder so provides, shall be: (a) entitled to all of the rights, obligations and benefits of Lender to the extent permitted by law; and (b) deemed to hold and may exercise the rights of banker's lien with respect to any and all obligations of such holder to each Guarantor, in each case as fully as though each Guarantor were directly indebted to such holder. Lender may in its discretion give notice to any Guarantor of such sale, assignment or participation; however, the failure to give such notice shall not affect any of Lender's or such holder's rights hereunder.

J. Jurisdiction. Each Guarantor irrevocably appoints each of its owners, partners and/or officers as its attorneys upon whom may be served, by regular or certified mail at the address set forth below, any notice, process or pleading in any action or proceeding against it arising out of or in connection with this Guaranty or any other Reimbursement Document; and each Guarantor hereby consents that any action or proceeding against it be commenced and maintained in any court within the State of New York, the United States District Court for the Southern District of New York, by service of process on any such owner, partner and/or officer; and each Guarantor agrees that the courts of the State of New York and the United States District Court for the Southern District of New York shall have jurisdiction with respect to the subject matter hereof and the person of each Guarantor and all collateral securing the obligations of each Guarantor. Guarantor agrees not to assert any defense to any action or proceeding initiated by Lender in such Court based upon improper venue or inconvenient forum. The foregoing shall not limit, restrict or otherwise affect the right of Lender or Guarantor to

commence any action or proceeding on this Guaranty or any other Reimbursement Document in any other court or courts having jurisdiction.

K. Joint and Several Liability. The obligations and liabilities of Guarantors hereunder shall be joint and several.

L. Waiver of Jury Trial. EACH GUARANTOR AND LENDER AGREE THAT ANY SUIT, ACTION OR PROCEEDING, WHETHER CLAIM OR COUNTERCLAIM, BROUGHT BY LENDER OR ANY GUARANTOR ON OR WITH RESPECT TO THIS GUARANTY OR ANY OTHER REIMBURSEMENT DOCUMENT OR THE DEALINGS OF THE PARTIES WITH RESPECT HERETO OR THERETO, SHALL BE TRIED ONLY BY A COURT AND NOT BY A JURY. LENDER AND EACH GUARANTOR EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. FURTHER, EACH GUARANTOR AND LENDER WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER, IN ANY SUCH SUIT, ACTION OR PROCEEDING, ANY SPECIAL, EXEMPLARY, PUNITIVE, CONSEQUENTIAL OR OTHER DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. EACH GUARANTOR ACKNOWLEDGES AND AGREES THAT THIS SECTION IS A SPECIFIC AND MATERIAL ASPECT OF THIS GUARANTY AND THAT LENDER WOULD NOT ENTER INTO THE REIMBURSEMENT AGREEMENT OR EXTEND CREDIT TO ALEXANDER'S IF THE WAIVERS SET FORTH IN THIS SECTION WERE NOT A PART OF THIS GUARANTY.

[SIGNATURE ON FOLLOWING PAGES]

IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

ALEXANDER'S OF FLUSHING, INC.

By:
Name:
Title:

ALEXANDER'S OF THIRD AVENUE, INC.

By:
Name:
Title:

ALEXANDER'S OF REGO PARK II, INC.

By:
Name:
Title:

ALEXANDER'S OF REGO PARK III, INC.

By:
Name:
Title:

STATE OF _____)
) ss.:
COUNTY OF _____)

On the ___ day of _____, 2002, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument, and that such individual made such appearance before the undersigned in _____, _____.

Notary Public

STATE OF _____)
) ss.:
COUNTY OF _____)

On the ___ day of _____, 2002, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument, and that such individual made such appearance before the undersigned in _____, _____.

Notary Public

GUARANTY

Dated as of July 3, 2002

From

THE GUARANTORS SET FORTH HEREIN

each as Guarantor

in favor of

VORNADO REALTY L.P.

C-17

TABLE OF CONTENTS

	PAGE	

SECTION 1.	GUARANTY; LIMITATION OF LIABILITY	1
SECTION 2.	GUARANTY ABSOLUTE	2
SECTION 3.	WAIVERS	4
SECTION 4.	PAYMENTS FREE AND CLEAR OF TAXES, ETC	5
SECTION 5.	REPRESENTATIONS AND WARRANTIES	6
SECTION 6.	COVENANTS	7
SECTION 7.	SUBORDINATION	7
SECTION 8.	REMEDIES.	7
SECTION 9.	AMENDMENTS, ETC	7
SECTION 10.	NOTICES, ETC	8
SECTION 11.	NO WAIVER; REMEDIES	8
SECTION 12.	RIGHT OF SET-OFF	8
SECTION 13.	CONTINUING GUARANTY; RELEASE.	8
SECTION 14.	GOVERNING LAW	9
SECTION 15.	MISCELLANEOUS.	9

EXHIBIT D

FORM OF MORTGAGE

MORTGAGE, ASSIGNMENT OF LEASES,
SECURITY AGREEMENT AND FIXTURE FILING

THIS MORTGAGE, ASSIGNMENT OF LEASES, SECURITY AGREEMENT AND FIXTURE FILING (this "MORTGAGE"), dated as of July 3, 2002, made by ALEXANDER'S OF REGO PARK III, INC., a Delaware corporation having an address at c/o Alexanders, Inc., 210 Route 4 East, Paramus, New Jersey 07652, as mortgagor, assignor and debtor ("MORTGAGOR") in favor of VORNADO REALTY L.P., a Delaware limited partnership, having an address at 210 Route 4 East, Paramus, New Jersey 07652, as mortgagee, assignee and secured party ("MORTGAGEE").

R E C I T A L S :

Alexander's, Inc., a Delaware corporation ("ALEXANDER'S"), is entering into a Reimbursement Agreement, dated as of the date hereof, between Alexander's, 731 Commercial LLC, a Delaware limited liability company, 731 Residential LLC, a Delaware limited liability company (collectively, together with Alexander's, the "BORROWERS", and each individually, a "BORROWER") and Mortgagee (as amended from time to time, the "REIMBURSEMENT AGREEMENT"), whereby Alexander's has agreed to perform all of the obligations under the Reimbursement Agreement and the other Reimbursement Documents, including, without limitation, the Immediate Reimbursement Obligations and the payment of any amounts owing under any Loans (as defined in the Reimbursement Agreement) made by Lender to the Obligors thereunder (the "ALEXANDER'S REIMBURSEMENT OBLIGATIONS").

The Loans (as defined in the Reimbursement Agreement) are evidenced by that certain Promissory Note, dated as of even date herewith, from Borrowers to Mortgagee (the "NOTE").

Mortgagor is the fee owner of the property described on Schedule "A" attached hereto and all of the improvements located thereon (collectively, the "MORTGAGED PREMISES"). Mortgagor is a wholly-owned subsidiary of Alexander's and will derive substantial direct benefit from the transactions contemplated by the Reimbursement Agreement.

Mortgagor is guarantying Alexander's performance of the Alexander's Reimbursement Obligations under the Reimbursement Agreement pursuant to that certain Guaranty, dated as of even date herewith (the "GUARANTY").

This Mortgage is granted to the Mortgagee to secure the payment and performance by Alexander's of the Alexander's Reimbursement Obligations. As

additional security for the payment and performance to Mortgagee of the Liabilities (as defined below), Mortgagor has executed and delivered to Mortgagee (i) an Assignment of Leases and Rents assigning all of Mortgagor's rights as lessor under all leases affecting the Mortgaged Premises now or hereafter in effect (the "ASSIGNMENT OF LEASES"), and (ii) the other collateral documents described in or accompanying the Reimbursement Agreement. This Mortgage, the Reimbursement Agreement, the Note, the Assignment of Leases, and all other guarantees, documents, certificates and instruments executed and delivered in connection therewith are sometimes hereinafter referred to collectively as the "REIMBURSEMENT DOCUMENTS" or individually as a "REIMBURSEMENT DOCUMENT".

1. LIABILITIES; GRANT OF MORTGAGE. To secure to Mortgagee the payment and performance by Alexander's of the Alexander's Reimbursement Obligations (collectively, the "LIABILITIES"), Mortgagor has mortgaged, granted and conveyed and by these presents does hereby mortgage, grant and convey to Mortgagee, its successors and assigns, all of Mortgagor's right, title and interest now owned or hereafter acquired in and to each of the following (collectively, the "MORTGAGED PROPERTY"):

1.1 All those certain tracts of land set forth above as the Mortgaged Premises and made a part hereof (the "REAL ESTATE");

1.2 Any and all buildings and improvements now or hereafter erected on, under or over the Real Estate (the "IMPROVEMENTS");

1.3 Any and all fixtures, machinery, equipment and other articles of real, personal or mixed property, belonging to Mortgagor, at any time now or hereafter installed in, attached to or situated in or upon the Real Estate, or the buildings and improvements now or hereafter erected thereon, or used or intended to be used in connection with the Real Estate, or in the operation of the buildings and improvements, plant, business or dwelling situate thereon, whether or not such real, personal or mixed property is or shall be affixed thereto, and all replacements, substitutions and proceeds of the foregoing (all of the foregoing herein called the "SERVICE EQUIPMENT"), including without limitation: all appliances, furniture and furnishings; all articles of interior decoration, floor, wall and window coverings; all office, restaurant, bar, kitchen and laundry fixtures, utensils, appliances and equipment; all supplies, tools and accessories; all storm and screen windows, shutters, doors, decorations, awnings, shades, blinds, signs, trees, shrubbery and other plantings; all building service fixtures, machinery and equipment of any kind whatsoever; all lighting, heating, ventilating, air conditioning, refrigerating, sprinkling, plumbing, security, irrigating, cleaning, incinerating, waste disposal, communications, alarm, fire prevention and extinguishing systems, fixtures, apparatus, machinery and equipment; all elevators, escalators, lifts, cranes, hoists and platforms; all pipes, conduits, pumps, boilers, tanks, motors, engines, furnaces and compressors; all dynamos, transformers and generators; all building materials, building machinery and building equipment delivered on site to the Real Estate during the course of, or in connection with any construction or repair or renovation of the buildings and

improvements; all parts, fittings, accessories, accessions, substitutions and replacements therefor and thereof; all files, books, ledgers, reports and records relating to any of the foregoing; all accounts, general intangibles and contract rights (including any right to payment thereunder, whether or not earned by performance) of any nature relating to the Mortgaged Property or the use, occupancy, maintenance, construction, repair or operation thereof; all management agreements, franchise agreements, utility agreements and deposits, building service contracts, maintenance contracts, construction contracts and architect's agreements relating to the Mortgaged Premises; all maps, plans, surveys and specifications relating to the Mortgaged Premises; all warranties and guaranties; all permits, licenses and approvals relating to the Mortgaged Premises; and all insurance policies, books of account and other documents, of whatever kind or character, relating to the use, construction upon, occupancy, leasing, sale or operation of the Mortgaged Premises (all of the foregoing and any replacements thereof being hereinafter collectively referred to as the "PERSONAL PROPERTY");

1.4 Any and all leases, subleases, tenancies, licenses, occupancy agreements or agreements to lease all or any portion of the Real Estate, Improvements, Service Equipment or Mortgaged Premises and all extensions, renewals, amendments, modifications and replacements thereof, and any options, rights of first refusal or guarantees relating thereto (collectively, the "LEASES"); all rents, income, receipts, revenues, security deposits, escrow accounts, reserves, issues, profits, awards and payments of any kind payable under the Leases or otherwise arising from the Mortgaged Property including, without limitation, minimum rents, additional rents, percentage rents, parking, maintenance and deficiency rents (collectively, the "RENTS");

1.5 Any and all estates, rights, tenements, hereditaments, privileges, easements, reversions, remainders and appurtenances of any kind benefitting or appurtenant to the Real Estate, Improvements or all or any portion of the Mortgaged Property; all means of access to and from the Mortgaged Premises, whether public or private; all streets, alleys, passages, ways, water courses, water and mineral rights relating to the Real Estate, Improvements or all or any portion of the Mortgaged Property; all rights of Mortgagor as declarant or unit owner under any declaration of condominium or association applicable to the Mortgaged Premises, including, without limitation, all development rights and special declarant rights; and all other claims or demands of Mortgagor, either at law or in equity, in possession or expectancy of, in, or to the Mortgaged Premises (all of the foregoing described in this Section 1.5 herein called the "APPURTENANCES"); and

1.6 Any and all "PROCEEDS" of any of the above-described Real Estate, Improvements, Service Equipment, Leases, Rents, Personal Property and Appurtenances, which term "proceeds" shall have the meaning given to it in the New York Uniform Commercial Code and shall additionally include whatever is received upon the use, lease, sale, exchange, transfer, collection or other utilization or any disposition or conversion of any of the Real Estate, Improvements, Service Equipment, Leases, Rents, Contracts and Appurtenances, including, without limitation, all development rights and special

declarant rights, voluntary or involuntary, whether cash or non-cash, including proceeds of insurance and condemnation awards, rental or lease payments, accounts, chattel paper, instruments, documents, contract rights, general intangibles, equipment and inventory.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, THE AMOUNT OF PRINCIPAL INDEBTEDNESS SECURED BY THIS MORTGAGE AT THE TIME OF EXECUTION OR THAT MAY HEREAFTER BECOME SECURED HEREBY AT ANY TIME IS FOURTEEN MILLION AND NO/100 DOLLARS (\$14,000,000.00); PROVIDED THAT THE SECURITY OF THIS MORTGAGE SHALL NOT BE LIMITED WITH RESPECT TO (I) INTEREST ON THE AFORESAID AMOUNT OF PRINCIPAL INDEBTEDNESS AT THE RATES SET FORTH IN THE NOTE, (II) SUMS EXPENDED BY MORTGAGEE IN ACCORDANCE WITH THE TERMS OF THIS MORTGAGE TO PAY PREMIUMS ON INSURANCE POLICIES COVERING THE PREMISES, (III) SUMS EXPENDED BY MORTGAGEE TO PAY IMPOSITIONS, MORTGAGE RECORDING TAXES, EXPENSES INCURRED BY MORTGAGEE IN ACCORDANCE WITH THIS MORTGAGE IN UPHOLDING OR ENFORCING THE LIEN OF THIS MORTGAGE, INCLUDING, BUT NOT LIMITED TO, (1) THE EXPENSES OF ANY LITIGATION TO PROSECUTE OR DEFEND THE RIGHTS AND LIEN CREATED BY THIS MORTGAGE, (2) ANY AMOUNT, COST OR CHARGES TO WHICH THE MORTGAGEE BECOMES SUBROGATED, UPON PAYMENT, WHETHER UNDER RECOGNIZED PRINCIPLES OF LAW OR EQUITY, OR UNDER EXPRESS STATUTORY AUTHORITY AND (3) INTEREST AT THE DEFAULT RATE.

TO HAVE AND TO HOLD the above granted and conveyed the Mortgaged Property unto and to the proper use and benefit of Mortgagee, its successors and assigns, forever.

2. FUTURE ADVANCES.

2.1 This Mortgage shall secure any and all present or future advances under the Liabilities made by Mortgagee to or for the benefit of Mortgagor, Alexander's or the Mortgaged Property with respect to: (i) principal, interest, late charges, fees and other amounts due under the Liabilities or this Mortgage; (ii) all advances by Mortgagee permitted hereunder to Mortgagor, Alexander's or any other person to pay costs of erection, construction, alteration, repair, restoration, maintenance and completion of any improvements on the Mortgaged Property; (iii) all advances made or costs incurred by Mortgagee for the payment of real estate taxes, mortgage recording taxes, assessments or other governmental charges, maintenance charges, insurance premiums, appraisal charges, environmental inspection, audit, testing or compliance costs, and costs incurred by Mortgagee for the enforcement and protection of the Mortgaged Property or the lien of this Mortgage; and (iv) all legal fees, costs and other expenses incurred by Mortgagee by reason of any default or otherwise in connection with the Liabilities. Mortgagor agrees

that if, at any time during the term of this Mortgage or following a foreclosure hereof, Mortgagor fails to perform or observe any covenant or obligation under this Mortgage including, without limitation, payment of any of the foregoing, Mortgagee may (but shall not be obligated to) take such steps as are reasonably necessary to remedy any such nonperformance or nonobservance for the account and at the expense of Mortgagor, and may enter upon the Mortgaged Premises for such purpose and take all such action thereon as, in Mortgagee's opinion, may be necessary or appropriate thereof. No such entry and no such action shall be deemed an eviction of any tenant of the Mortgaged Premises or any part thereof. All amounts advanced by Mortgagee shall be added to the amount secured by this Mortgage and the other Reimbursement Documents, and shall be due and payable on demand, together with interest at the Default Rate, such interest to be calculated from the date of such advance to the date of repayment thereof. Mortgagor's obligations hereunder shall be continuing and shall survive notwithstanding a foreclosure of this Mortgage.

3. ASSIGNMENT OF LEASES.

3.1 Mortgagor hereby assigns to Mortgagee all Leases and Rents.

Mortgagor shall, upon demand, deliver to Mortgagee an executed copy of each such Lease. This assignment shall continue in effect until the Liabilities are paid in full and this Mortgage is canceled or discharged of record; however, so long as no Event of Default (as defined below) exists, Mortgagor shall have a license to collect, and may retain, use and enjoy the Rents as they become due, subject to the terms and conditions set forth in the Assignment of Leases. Such license granted to Mortgagor shall be immediately revoked without further notice or demand upon the occurrence of an Event of Default. Upon the occurrence of such Event of Default and during the continuance thereof, Mortgagee may, subject to the Reimbursement Agreement, to the fullest extent permitted by the Leases (i) exercise any of Mortgagor's rights under the Leases, (ii) enforce the Leases, (iii) demand, collect, sue for, attach, levy, recover, receive, compromise and adjust, and make, execute and deliver receipts and releases for all Rents or other payments that may then be or may thereafter become due, owing or payable with respect to the Leases and (iv) generally do, execute and perform any other act, deed, matter or thing whatsoever that ought to be done, executed and performed in and about or with respect to the Leases as fully as allowed or authorized by Mortgagor's interest under the Leases. This assignment is intended by Mortgagee and Mortgagor to create, and shall be construed to create, an absolute assignment to Mortgagee, subject only to the terms and provisions hereof, and not as an assignment as security for the performance of the obligations evidenced by the Reimbursement Documents.

3.2 Mortgagor shall timely perform all of its material obligations under the Leases. Mortgagor represents and warrants that: (i) there are no leases or agreements to lease all or any part of the Mortgaged Premises now in effect, except those specifically set forth in, and assigned to Mortgagee by, the Assignment of Leases; and (ii) there is no assignment or pledge of any rents, issues or profits of or from the Mortgaged Premises

now in effect, except pursuant to the Assignment of Leases or as assigned to other lenders in connection with Existing Debt (as defined in the Reimbursement Agreement).

3.3 Any Rents receivable by Mortgagee hereunder, after payment of all proper costs and charges, shall be applied to all amounts due and owing under and as provided in this Mortgage and the Note. Mortgagee shall be accountable to Mortgagor only for Rents actually received by Mortgagee pursuant to this assignment. The collection of such Rents and the application thereof shall not cure or waive any Event of Default or waive, modify or affect notice of Event of Default or invalidate any act done pursuant to such notice.

3.4 Mortgagor shall not, without the prior written consent of Mortgagee, or as otherwise provided in the Reimbursement Agreement: (i) enter into any lease of all or any portion of the Mortgaged Property; (ii) amend, modify, terminate or accept a surrender of any Lease; or (iii) collect or accept rent from any tenant of the Mortgaged Premises for a period of more than one month in advance.

3.5 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 shall (a) deliver the written notices described in said Section 291-f to all present and future holders of any interest in any Lease, by assignment or otherwise, including therein a direction that, in the event that Mortgagee notifies such tenant of a default under this Mortgage, such tenant pay its rent and all other sums due under the relevant Lease to Mortgagee and (b) take such other action, as may now or hereafter be reasonably required to afford Mortgagee the full protections and benefits of said Section 291-f.

4. SECURITY INTEREST IN PERSONAL PROPERTY.

4.1 This Mortgage shall constitute a security agreement and shall create and evidence a security interest or common law lien in all of the Personal Property and in all of the other items of Mortgaged Property in which a security interest may be granted or a common law pledge created pursuant to the Uniform Commercial Code as in effect in the state in which the Personal Property or Mortgaged Premises, as applicable, are located or under the common law in such state, subject to the rights of the holders of purchase money mortgages with respect to the Personal Property.

4.2 Upon the occurrence and during the continuance of any Event of Default, in addition to the remedies set forth in Section 11, Mortgagee shall have the power to sell the Personal Property in accordance with the Uniform Commercial Code as enacted in the state in which the Personal Property or Mortgaged Premises, as applicable, are located or under other applicable law. To the extent permitted by law, it shall not be necessary that any Personal Property offered be physically present at any such sale or constructively in the possession of Mortgagee or the person conducting the sale.

4.3 Upon the occurrence of any Event of Default, Mortgagee may sell the Personal Property or any part thereof at public or private sale with notice to the

applicable Mortgagor as hereinafter provided. The proceeds of any such sale, after deducting all expenses of Mortgagee in taking, storing, repairing and selling the Personal Property (including, without limitation, reasonable attorneys' fees and disbursements) shall be applied in the manner set forth in subsection 11.2. At any sale, public or private, of the Personal Property or any part thereof, Mortgagee may purchase any or all of the Personal Property offered at such sale.

5. REPRESENTATIONS, WARRANTIES AND COVENANTS.

5.1 PAYMENT AND PERFORMANCE. Mortgagor shall (i) pay to Mortgagee all sums required to be paid by it under the Reimbursement Documents, in accordance with their stated terms and conditions; and (ii) perform and comply with all terms, conditions and covenants set forth in each of the Reimbursement Documents by which it is bound.

5.2 FAILURE TO MAKE CERTAIN PAYMENTS. If Mortgagor shall fail to timely perform any of the covenants contained in this Mortgage, including, without limitation, Mortgagor's covenants to (i) pay the premiums in respect of all required insurance coverages, (ii) pay taxes (including mortgage recording taxes) and assessments, (iii) make any and all repairs required for Mortgagor to be in compliance with Section 5.12 of this Mortgage, or (iv) discharge any lien required to be discharged pursuant to this Mortgage, Mortgagee may, but shall not be obligated to, make advances to perform such covenant on such Mortgagor's behalf and all sums so advanced shall be included in the Liabilities and shall be secured hereby. Such Mortgagor shall repay on demand all sums so advanced by Mortgagee on behalf of such Mortgagor, with interest at the rate provided in the Reimbursement Agreement.

Neither the provisions of this Section 5.2 nor any action taken by Mortgagee pursuant to the provisions of this Section 5.2 shall prevent any such failure to observe any covenant contained in this Mortgage from constituting an Event of Default.

5.3 AUTHORITY AND VALIDITY. Mortgagor represents, warrants and covenants that (i) it is duly authorized to execute and deliver this Mortgage and all other Reimbursement Documents to which it is party and all corporate and governmental actions, consents, authorizations and approvals necessary or required therefor have been duly and effectively taken or obtained, (ii) this Mortgage is the legal, valid, binding and enforceable obligation of Mortgagor, and (iii) Mortgagor has full power and lawful authority to execute and deliver this Mortgage and to mortgage and grant a security interest in the Mortgaged Property as contemplated herein.

5.4 SEISIN AND WARRANTY. Mortgagor warrants that it has good and marketable fee simple title to the Mortgaged Property, subject only to the matters listed on Schedule "B" attached hereto ("PERMITTED ENCUMBRANCES"); that it has good and valid title to all rents, issues and profits therefrom, and has the right, full power and lawful authority to grant, convey and assign the same to Mortgagee in the manner and form set forth herein; and this Mortgage is a valid and enforceable lien on the Mortgaged Property. Mortgagor hereby covenants that Mortgagor shall (i) preserve such title and the

validity and priority of the lien of this Mortgage and shall forever warrant and defend the same to Mortgagee against all lawful claims whatsoever; and (ii) execute, acknowledge and deliver all such further documents or assurances, and cause to be done all such further acts as may at any time hereafter be required by Mortgagee to protect fully the lien of this Mortgage.

5.5 INSURANCE. (a) Mortgagor shall obtain and maintain, or cause tenants to obtain and maintain, at all times throughout the term of this Mortgage the following insurance, with deductibles reasonably satisfactory to Mortgagee from time to time: (i) commercial general liability insurance covering all operations of Mortgagor in amounts reasonably satisfactory to Mortgagee; (ii) "All-Risk" fire and extended coverage hazard insurance (together with vandalism and malicious mischief endorsements) in an aggregate amount not less than 100% of the full insurable replacement value of the Mortgaged Property (exclusive of footings and foundations), including coverage for loss of contents owned by Mortgagor; (iii) during the course of any construction, reconstruction, remodeling or repair of improvements on the Mortgaged Premises, builders' all-risk extended coverage insurance in amounts based upon the completed replacement value of the improvements (excluding roads, foundations, parking areas, paths, walkways and like improvements), including coverage for loss of contents and endorsed to provide that occupancy by any person shall not void such coverage; (iv) if the Mortgaged Premises are required to be insured pursuant to the Flood Disaster Protection Act of 1973 or the National Flood Insurance Act of 1968, and the regulations promulgated thereunder, flood insurance in an amount at least equal to the lesser of the outstanding principal balance of this Mortgage or the maximum limit of coverage available; (v) business interruption and/or rental loss insurance sufficient to pay, for a period of not less than six (6) months, normal operating expenses of or gross income from the Mortgaged Property; (vi) boiler and machinery insurance covering pressure vessels, air tanks, boilers, machinery, pressure piping, heating, air conditioning and elevator equipment in such amounts as Mortgagee shall require from time to time, provided that the Mortgaged Premises contains equipment of such nature; and (vii) such other insurance as Mortgagee may reasonably require. Notwithstanding anything contained herein, Mortgagor shall have the right to maintain a blanket insurance policy covering the Mortgaged Premises and other properties owned by Mortgagor, provided that such policy shall otherwise conform to the requirements set forth herein.

(b) Each insurance policy required under this Section 5.5 shall be written by an insurance company authorized or licensed to do business in New York having an Alfred M. Best Company, Inc. rating of A or higher and a financial size category of not less than VII, and shall be on such forms and written by such companies as shall be reasonably approved by Mortgagee.

(c) Each insurance policy required under this Section 5.5 providing insurance against loss or damage to property, business interruption or rent loss shall be written or endorsed so as to (i) name Mortgagee as mortgagee under a New York non-

contributory standard mortgagee or secured party endorsement, as the case may be, or its equivalent; and (ii) make all losses payable directly to Mortgagee, without contribution.

(d) Each insurance policy required under this Section 5.5 providing public liability coverage shall be written and endorsed so as to name Mortgagee as a certificate holder.

(e) Each insurance policy required under this Section 5.5 shall contain a provision (i) requiring the insurer to notify Mortgagee, in writing and at least thirty (30) days in advance, of any cancellation or material change in the policy; (ii) waiving all rights of setoff, counterclaim, deduction or subrogation against Mortgagor or Mortgagee; and (iii) excluding Mortgagee from the operation of any coinsurance clause, or, alternatively, stating that the amount of insurance is sufficient to exclude the insured from the operation of any coinsurance clause.

(f) At least thirty (30) days prior to the expiration of any insurance policy, Mortgagor shall furnish evidence satisfactory to Mortgagee that such policy has been renewed or replaced or is no longer required by this Section 5.5.

(g) Mortgagor shall not take out any separate or additional insurance with respect to the Mortgaged Property which is contributing in the event of loss unless approved by Mortgagee and in conformity with the requirements of this Section 5.5.

(h) Notwithstanding the foregoing, in the event that Mortgagor fails to maintain insurance in accordance with this Section 5.5, and Mortgagee elects to obtain insurance to protect its interests hereunder, Mortgagee may obtain insurance in any amount and of any type Mortgagee reasonably deems appropriate to protect Mortgagee's interest only and Mortgagee shall have no duty or obligation to Mortgagor to maintain insurance in any greater amount or of any other type for the benefit of Mortgagor. All insurance premiums incurred or paid by Mortgagee shall be at Mortgagor's sole cost and expense. Mortgagee's election to obtain insurance on behalf of Mortgagor shall not be deemed to waive any Event of Default (as hereinafter defined) hereunder.

5.6 TAXES AND OTHER CHARGES. Mortgagor shall prepare and timely file all federal, state and local tax returns required to be filed by Mortgagor and promptly pay, or cause to be paid, and discharge all taxes (including mortgage recording taxes), assessments, water and sewer rents, and other governmental charges imposed upon Mortgagor, the Mortgaged Property or on any of Mortgagor's other property when due, but in no event after interest or penalties commence to accrue thereon or become a lien upon such property, except for those taxes, assessments, water and sewer rents or other governmental charges then being contested in accordance with the terms of the Reimbursement Agreement. Mortgagor shall submit to Mortgagee, upon request, an affidavit signed by Mortgagor certifying that all federal, state and local tax returns have been filed to date and all taxes, assessments, water and sewer rents, and other governmental charges with respect to Mortgagor's properties have been paid to date.

5.7 ESCROWS. If required by Mortgagee, Mortgagor shall pay to Mortgagee at the time of each installment of principal and interest due under the Note, and commencing with the first payment due after the date of such request, a sum equal to (a) the amount of the next installment of taxes and assessments levied or assessed against the Mortgaged Premises, and/or (b) the premiums which will next become due on the insurance policies required by this Mortgage, all in amounts as estimated by Mortgagee, less all sums already paid therefor or deposited with Mortgagee for the payment thereof, divided by the number of payments to become due before one (1) month prior to the date when such taxes and assessments and/or premiums, as applicable, will become due, such sums to be held by Mortgagee to pay the same when due. If such escrow funds are not sufficient to pay such taxes and assessments and/or insurance premiums, as applicable, as the same become due, Mortgagor shall pay to Mortgagee, upon request, such additional amounts as Mortgagee shall estimate to be sufficient to make up any deficiency. No amount paid to Mortgagee hereunder shall be deemed to be trust funds but may be commingled with general funds of Mortgagee and no interest shall be payable thereon. Upon the occurrence of an Event of Default, Mortgagee shall have the right, at its sole discretion, to apply any amounts so held against the Liabilities. There shall be no escrow requirement with respect to taxes that are required to be paid by tenants and are actually being paid by tenants. If Mortgagor is not required to pay tax escrows pursuant to this Section 5.7, Mortgagor shall promptly provide to Mortgagee upon Mortgagee's request, copies of receipted tax bills, cancelled checks or other evidence satisfactory to Mortgagee evidencing that such taxes and assessments have been timely paid. There shall be no escrow requirement with respect to taxes which are required to be paid by tenants at the Mortgaged Premises, and are actually being paid by such tenants.

5.8 TRANSFER OF TITLE. Except as otherwise provided in the Reimbursement Agreement, without the prior written consent of Mortgagee in each instance Mortgagor shall not cause or permit any transfer of the Mortgaged Property or any part thereof, whether voluntarily, involuntarily or by operation of law, nor shall Mortgagor enter into any agreement or transaction to transfer, or accomplish in form or substance a transfer, of any portion of the Mortgaged Property. A "TRANSFER" of the Mortgaged Property includes: (i) the direct or indirect sale, transfer or conveyance of the Mortgaged Property or any portion thereof or interest therein; (ii) the execution of an installment sale contract or similar instrument affecting all or any portion of the Mortgaged Property; (iii) if Mortgagor, or any general partner of Mortgagor, is a corporation, partnership, or limited liability company, the transfer (whether in one transaction or a series of transactions) of more than 50% stock, partnership, limited liability company or other ownership interests in Mortgagor.

5.9 NO ENCUMBRANCES. (a) Except as otherwise permitted in the Reimbursement Agreement, Mortgagor shall not create or permit to exist any mortgage, pledge, lien, security interest (including, without limitation, a purchase money security interest), encumbrance, attachment, levy, restraint or other judicial process on or against the Mortgaged Property or any part thereof (including, without limitation, fixtures and other personalty), whether superior or inferior to the lien of this Mortgage, without the

prior written consent of Mortgagee, except for Permitted Encumbrances. If any lien or encumbrance is filed or entered without Mortgagor's consent, Mortgagor shall have it removed of record within sixty (60) days after Mortgagor receives notice that it has been filed or entered.

(b) By placing or accepting a mortgage, lien or encumbrance of any type, whether voluntary or involuntary, against the Mortgaged Property, the holder thereof shall be deemed to have agreed, without any further act or documentation being required, that its mortgage, lien or encumbrance shall be subordinate in lien priority to this Mortgage and to any future amendments, consolidations or extensions hereof (including, without limitation, amendments which increase the interest rate on the Note, extend the term of the Liabilities, provide for future advances secured by this Mortgage, or provide for the release of portions of the Mortgaged Property with or without consideration).

(c) The holder of any subordinate mortgage or other lien, whether or not consented to by Mortgagee, expressly agrees by acceptance of such subordinate mortgage or other lien that it waives and relinquishes any rights it may have, whether under a legal theory of marshalling of assets or any other theory at law or in equity, to restrain Mortgagee from, or recover damages from Mortgagee as a result of, Mortgagee exercising its various remedies hereunder or under any other documents evidencing or securing the Liabilities, in such order and with such timing as Mortgagee deems appropriate in its sole discretion.

(d) Mortgagee may, at any time or from time to time, renew, extend or increase the amount of this Mortgage, alter or modify the terms hereof or of the Note in any way, waive any of the terms, covenants or conditions hereof or of the Note in whole or in part, release any portion of the Mortgaged Property or any other security, and grant such extensions and indulgences in relation to the Liabilities as Mortgagee may determine, without the consent of any junior lienor or encumbrancer or any obligation to give notice of any kind thereto, and without in any manner affecting or the lien hereof on all or any part of the Mortgaged Property.

5.10 ADDITIONAL INDEBTEDNESS. Except as permitted under the Reimbursement Agreement, Mortgagor shall not create, incur, assume or guarantee, or permit to exist any indebtedness (which shall mean all obligations, contingent or otherwise, which in accordance with generally accepted accounting principles should be reflected on a balance sheet as liabilities).

5.11 REMOVAL OF FIXTURES. Subject to the terms of the Leases, and except to the extent the Mortgaged Premises is not leased or is under development, Mortgagor shall not remove or permit to be removed from the Mortgaged Premises any fixtures presently or in the future owned by Mortgagor as the term "fixtures" is defined by the law in New York (unless such fixtures have been replaced with similar fixtures of equal or greater utility and value).

5.12 MAINTENANCE AND REPAIR; ALTERATIONS. (a) Mortgagor shall (i) abstain from and not permit the commission of waste in or about the Mortgaged Premises; (ii) keep or cause to be kept the Mortgaged Property, at Mortgagor's own cost and expense, in good and substantial repair, working order and condition (reasonable wear and tear, damage by casualty excepted); (iii) make or cause to be made, as and when necessary, all repairs and replacements, whether or not insurance proceeds are available therefor; and (iv) not remove, demolish, materially alter, or, except as permitted by the Reimbursement Agreement, otherwise dispose of all or any part of the Mortgaged Property. All alterations, replacements, renewals or additions made pursuant to this Section 5.12 shall automatically become a part of the Mortgaged Property and shall be covered by the lien of this Mortgage. Notwithstanding the foregoing, the provisions of (ii), (iii) and (iv) of this Section 5.12 shall not apply to the Mortgaged Property at any time the Mortgaged Property is not leased or is under development except to the extent that failure to comply with said paragraphs would constitute a safety hazard.

(b) Except as permitted in the Reimbursement Agreement and subject to the rights of tenants under Leases, Mortgagee, and any persons authorized by Mortgagee, shall have the right, but not the obligation, to enter upon the Mortgaged Premises at any reasonable time to inspect and photograph its condition and state of repair.

5.13 COMPLIANCE WITH APPLICABLE LAWS. Mortgagor agrees to observe, conform and comply, and to cause its tenants to observe, conform and comply with all federal, state, county, municipal and other governmental or quasi-governmental laws, rules, regulations, ordinances, codes, requirements, covenants, conditions, orders, licenses, permits, approvals and restrictions, including without limitation, the Americans with Disabilities Act of 1990 (collectively, the "LEGAL REQUIREMENTS"), now or hereafter affecting all or any part of the Mortgaged Property, its occupancy or the business or operations now or hereafter conducted thereon and the personalty contained therein, within such time as required by such Legal Requirements. The Mortgaged Property currently is in compliance with all Legal Requirements applicable to the Mortgaged Property.

5.14 DAMAGE, DESTRUCTION AND CONDEMNATION. (a) If all or any part of the Mortgaged Premises shall be damaged or destroyed, or if title to or the temporary use of the whole or any part of the Mortgaged Premises shall be taken or condemned by a competent authority for any public or quasi-public use or purpose, there shall be no abatement or reduction in the amounts payable by Mortgagor under the Reimbursement Documents and Mortgagor shall continue to be obligated to make such payments.

(b) If all or any part of the Mortgaged Property is partially or totally damaged or destroyed, Mortgagor shall give prompt notice thereof to Mortgagee, and Mortgagee may make proof of loss if not made promptly by Mortgagor. Mortgagor may only settle, adjust or compromise any claim for loss, damage or destruction of the

Mortgaged Property with the written consent of the Mortgagee, which consent will not be unreasonably withheld or delayed.

(c) Promptly upon obtaining knowledge of the institution of any proceeding for the condemnation of all or any part of the Mortgaged Property, Mortgagor shall give notice to Mortgagee. Mortgagor shall, at its sole cost and expense, diligently prosecute any such proceeding and Mortgagor shall from time to time deliver to Mortgagee all instruments requested by it to permit such participation. Mortgagor shall not, without Mortgagee's prior written consent, which consent shall not be unreasonably withheld, enter into any agreement for the taking or conveyance in lieu thereof of all or any part of the Mortgaged Property.

(d) Subject to the terms and conditions of the Reimbursement Agreement, nothing in this Section 5.14 shall relieve Mortgagor of its duty to repair, restore, rebuild or replace the Mortgaged Property following damage or destruction or partial condemnation if no or inadequate insurance proceeds or condemnation awards are available to defray the cost of repair, restoration, rebuilding or replacement.

5.15 REQUIRED NOTICES. Mortgagor shall notify Mortgagee within ten (10) days of: (i) receipt of any notice from any governmental or quasi-governmental authority relating to the structure, use or occupancy of the Mortgaged Premises or alleging a violation of any material Legal Requirement; (ii) a substantial change in the occupancy or use of all or any part of the Mortgaged Premises; (iii) receipt of any notice from the holder of any lien or security interest in all or any part of the Mortgaged Property; (iv) commencement of any litigation affecting or potentially affecting the financial ability of Mortgagor or the value of the Mortgaged Property; (v) a pending or threatened condemnation of all or any part of the Mortgaged Premises; (vi) a fire or other casualty causing damage to all or any part of the Mortgaged Property; (vii) receipt of any notice with regard to any Release of Hazardous Substances (as such terms are defined in Section 8.2 hereof) or any other environmental matter affecting the Mortgaged Premises or Mortgagor's interest therein; (viii) receipt of any request for information, demand letter or notification of potential liability from any entity relating to potential responsibility for investigation or clean-up of Hazardous Substances on the Mortgaged Premises or at any other site owned or operated by Mortgagor; (ix) receipt of any notice from any tenant of all or any part of the Mortgaged Premises alleging a default, failure to perform or any right to terminate its lease or to set-off rents; or (x) receipt of any notice of the imposition of, or of threatened or actual execution on, any lien on or security interest in all or any part of the Mortgaged Property.

5.16 NO CREDITS ON ACCOUNT OF THE LIABILITIES. Mortgagor shall not claim or demand or be entitled to any credit on account of the Liabilities for any part of the taxes paid with respect to the Mortgaged Property or any part thereof and no deduction shall otherwise be made or claimed from the taxable value of the Mortgaged Property, or any part thereof, by reason of this Mortgage.

5.17 RIGHT TO REAPPRAISE. Mortgagee shall have the right to conduct or have conducted by an independent appraiser acceptable to Mortgagee appraisals of the Mortgaged Premises in form and substance satisfactory to Mortgagee at the sole cost and expense of Mortgagor; PROVIDED, HOWEVER, that Mortgagor shall not be obligated to bear the expense of such appraisals so long as (i) no Event of Default exists, and (ii) such appraisals are not required by applicable law, rule or regulation or the interpretation or administration thereof by any governmental authority or comparable agency charged with the interpretation or administration thereof. The cost of such appraisals, if chargeable to Mortgagor as aforesaid, shall be added to the Liabilities and shall be secured by this Mortgage in accordance with the provisions of Section 2 hereof.

5.18 INTENTIONALLY OMITTED.

5.19 RECORDATION. Mortgagor, at its expense, shall at all times, upon receipt of written request from Mortgagee, cause this Mortgage, and any and all supplements or amendments thereto, to be recorded, registered and filed in such manner and in such places, and will pay all such recording, registration, mortgage recording taxes, filing fees and other charges, and will comply with all such statutes and regulations as may be required by law in order to establish, preserve, perfect and protect the lien of this Mortgage as a valid, direct mortgage lien and perfected security interest in the Mortgaged Premises. Notwithstanding anything herein to the contrary, Mortgagee shall have the right to record this Mortgage at any time. Mortgagor shall pay or cause to be paid, and will indemnify Mortgagee in respect of, all taxes (including interest and penalties) at any time payable in connection with the filing and recording of this Mortgage and all supplements and amendments thereto. Should Mortgagor fail to pay the same, all such recording and filing fees and taxes may be paid by Mortgagee on behalf of Mortgagor and the amount thereof, together with interest at the Default Rate shall be payable by Mortgagor to Mortgagee immediately upon demand, or at the option of Mortgagee, Mortgagee may reimburse itself out of the proceeds collected by Mortgagee.

6. DECLARATION OF NO OFFSET.

6.1 Mortgagor represents to Mortgagee that Mortgagor has no knowledge of any offsets, counterclaims or defenses to the Liabilities either at law or in equity. Mortgagor shall, within five (5) days upon request in person or within ten (10) days upon written request by mail, furnish to Mortgagee or Mortgagee's designee a written statement in form reasonably satisfactory to Mortgagee stating the amount due under the Liabilities and whether there are offsets or defenses against the same, and if so, the nature and extent thereof.

7. CHANGE IN LAWS.

7.1 In the event of the passage, after the date of this Mortgage, of any law changing in any way the laws now in force for the taxation of mortgages or debts secured thereby, for state or local purposes, or the manner of the operation of any such taxes, so as to affect the interest of Mortgagee or impose upon Mortgagee the obligation to pay the

whole or any part of any taxes, assessments, charges or liens (collectively, "CHARGES") herein required to be paid by Mortgagor, then Mortgagor shall pay the full amount of the Charges in accordance with the terms of Section 3.08 of the Reimbursement Agreement (as though the Mortgagor were the "Borrower" thereunder and the Charges were "Taxes" thereunder);

8. ENVIRONMENTAL MATTERS.

8.1 DEFINITIONS. For purposes of this Section 8, "APPLICABLE ENVIRONMENTAL LAWS" shall mean any and all applicable existing or future federal, state and local statutes, ordinances, regulations, rules, executive orders, standards and requirements, including the requirements imposed by common law, concerning or relating to industrial hygiene and the protection of health and the environment including, without limitation: (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. 9601 et seq. ("CERCLA"); (ii) the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. 6901 et seq. ("RCRA"); (iii) the Clean Air Act, as amended, 42 U.S.C. 7901 et seq.; (iv) the Clean Water Act, as amended, 33 U.S.C. 1251 et seq.; and (v) the Hazardous Materials Transportation Act, as amended, 49 U.S.C. 1801 et seq. and (vi) the New York Environmental Conservation law, as amended ("ECL"); Any terms mentioned in this Section 8 which are defined in any Applicable Environmental Law shall have the meanings ascribed to such terms in said laws; provided, however, that if any of such laws are amended so as to broaden any term defined therein, such broader meaning shall apply subsequent to the effective date of such amendment.

8.2 REPRESENTATIONS, WARRANTIES AND COVENANTS. Mortgagor represents, warrants, covenants and agrees as follows:

(a) Except for environmental matters disclosed in Alexander's, Inc.'s quarterly report on Form 10-Q for the quarter ended March 31, 2002, to the Mortgagor's knowledge, neither Mortgagor nor the Mortgaged Property or any occupant of the Mortgaged Premises are in violation of or subject to any existing, pending or threatened investigation or inquiry by any governmental authority pertaining to any Applicable Environmental Law. Mortgagor shall not cause or permit the Mortgaged Property to be in violation of, or do anything that would subject the Mortgaged Property to any remedial obligations under, any Applicable Environmental Law, and shall promptly notify Mortgagee in writing of any existing, pending or threatened investigation or inquiry by any governmental authority in connection with any Applicable Environmental Law. In addition, Mortgagor shall provide Mortgagee with copies of any and all material written communications with any governmental authority in connection with any Applicable Environmental Law, concurrently with Mortgagor's giving or receiving of same.

(b) Except for environmental matters disclosed in Alexander's, Inc.'s quarterly report on Form 10-Q for the quarter ended March 31, 2002, to the Mortgagor's knowledge, there are no underground storage tanks, radon, asbestos materials,

polychlorinated biphenyls or urea formaldehyde insulation present at or installed in the Mortgaged Premises in violation of the Applicable Environmental Law. Mortgagor covenants and agrees that if any such materials are found to be present at the Mortgaged Premises in violation of the Applicable Environmental Law, Mortgagor shall remove or remediate the same promptly upon discovery at its sole cost and expense.

(c) Except for environmental matters disclosed in Alexander's, Inc.'s quarterly report on Form 10-Q for the quarter ended March 31, 2002, to the Mortgagor's knowledge, Mortgagor has taken all steps reasonably necessary to determine and has determined that there has been no release, spill, discharge, leak, disposal or emission (individually a "RELEASE" and collectively, "RELEASES") of any Hazardous Material, Hazardous Substance or Hazardous Waste, including gasoline, petroleum products, explosives, toxic substances, solid wastes and radioactive materials (collectively, "HAZARDOUS SUBSTANCES") at, upon, under or within the Mortgaged Premises except for such Release as would not have a material adverse effect on the collateral for the Loan when taken as a whole. Mortgagor will not use, and will use its available remedies under the respective lease to cause any other occupant of the Mortgaged Premises not to use, the Mortgaged Premises for any purpose that could result in Release of any Hazardous Substances on or to the Mortgaged Premises in violation of Applicable Environmental Laws that could reasonably be expected to have a material adverse effect on the collateral for the Loan when taken as a whole. During the term of this Mortgage, Mortgagor shall take all steps reasonably necessary in the judgement of the Mortgagee to determine whether there has been a Release of any Hazardous Substances on or to the Mortgaged Premises either in violation of Applicable Environmental Laws or which could reasonably be expected to have a material adverse effect on the collateral for the Loan taken as a whole, and if Mortgagor finds that such a Release has occurred, Mortgagor shall remove or remediate the same promptly upon discovery at its sole cost and expense as required by Applicable Environmental Law.

(d) Mortgagor has not received any written notice of violation, request for information, summons, citation, directive or other communication, from the New York Department of Environmental Conservation or the United States Environmental Protection Agency concerning any intentional or unintentional act or omission on Mortgagor's or any occupant's part resulting in the Release of Hazardous Substances into the waters or onto the lands within the jurisdiction of the State of New York or into the waters outside the jurisdiction of the State of New York resulting in damage to the lands, waters, fish, shellfish, wildlife, biota, air or other natural resources owned, managed, held in trust or otherwise controlled by or within the jurisdiction of the State of New York.

8.3 RIGHT TO INSPECT AND CURE. Subject to the remainder of this Section 8.3, Mortgagee shall have the right to conduct or have conducted by its agents or contractors such environmental inspections, audits and tests as Mortgagee shall deem necessary or advisable from time to time at the sole reasonable cost and expense of Mortgagor; PROVIDED, HOWEVER, that Mortgagor shall not be obligated to bear the expense of such

environmental inspections, audits and tests so long as (i) no Event of Default exists, and (ii) Mortgagee has no cause to believe in its sole reasonable judgment that there has been a Release or threatened Release of Hazardous Substances at the Mortgaged Premises or that Mortgagor or the Mortgaged Premises is in violation of any Applicable Environmental Law, which release or violation could reasonably be expected to have a material adverse effect on the collateral for the Loan when taken as a whole. The cost of such inspections, audits and tests, if chargeable to Mortgagor as aforesaid, shall be added to the Liabilities and shall be secured by this Mortgage. Mortgagor shall, and shall cause each tenant of the Mortgaged Premises to, cooperate with such inspection efforts; such cooperation shall include, without limitation, supplying all information requested concerning the operations conducted and Hazardous Substances located at the Mortgaged Premises. In the event that Mortgagor fails to comply with any Applicable Environmental Law, Mortgagee may, in addition to any of its other remedies under this Mortgage, cause the Mortgaged Property to be in compliance with such laws and the cost of such compliance shall be added to the sums secured by this Mortgage in accordance with the provisions hereof.

9. INDEMNIFICATION.

9.1 Mortgagor hereby indemnifies and agrees to protect, defend and hold harmless Mortgagee, and any member, officer, director, trustee, official, agent, or employee of Mortgagee, and their respective heirs, administrators, executors, successors and assigns (collectively, the "INDEMNIFIED PARTIES"), from and against any and all losses, damages, expenses or liabilities of any kind or nature and from any suits, claims or demands, including reasonable attorneys' fees incurred in investigating or defending such claim, suffered by any of them and caused by, relating to, arising out of, resulting from, or in any way connected with the Reimbursement Documents or the transactions contemplated therein (except to the extent determined by a final judgment of a court of competent jurisdiction to have been caused by the gross negligence or willful misconduct of any Indemnified Party) including, without limitation: (i) disputes with any architect, general contractor, subcontractor, materialman or supplier, or on account of any act or omission to act by Mortgagee in connection with the Mortgaged Premises; (ii) losses, damages, expenses or liabilities sustained by Mortgagee in connection with any environmental inspection, monitoring, sampling or cleanup of the Mortgaged Premises required or mandated by any Applicable Environmental Law; (iii) any untrue statement of a material fact contained in information submitted to Mortgagee by Mortgagor or the omission of any material fact necessary to be stated therein in order to make such statement not misleading or incomplete; (iv) the failure of Mortgagor to perform any obligations herein required to be performed by Mortgagor; and (v) the ownership, construction, occupancy, operation, use or maintenance of the Mortgaged Premises.

9.2 In case any action shall be brought against Mortgagee or any other Indemnified Party in respect to which indemnity may be sought against Mortgagor, Mortgagee or such other Indemnified Party shall promptly notify Mortgagor and Mortgagor shall assume the defense thereof, including the employment of counsel

selected by Mortgagor and reasonably satisfactory to Mortgagee, the payment of all costs and expenses, and the right to negotiate and consent to settlement. The failure of Mortgagee to so notify Mortgagor shall not relieve Mortgagor of any liability it may have under the foregoing indemnification provisions or from any liability which it may otherwise have to Mortgagee or any of the other Indemnified Parties, except to the extent that the Mortgagor incurs actual expenses or suffers actual monetary loss as a result of such failure to give notice. Mortgagee shall have the right, at its sole option, to employ separate counsel in any such action and to participate in the defense thereof, all at Mortgagee's sole cost and expense as long as Mortgagor is complying with its indemnification obligations hereunder. Mortgagor shall not be liable for any settlement of any such action effected without its consent (unless Mortgagor fails to defend such claim), but if settled with Mortgagor's consent, or if there be a final judgment for the claimant in any such action, Mortgagor agrees to indemnify and save harmless Mortgagee from and against any loss or liability by reason of such settlement or judgment.

9.3 The provisions of this Section 9 shall survive the repayment of the Liabilities and the release or discharge of this Mortgage.

10. EVENTS OF DEFAULT.

Each of the following shall constitute a default (each, an "EVENT OF DEFAULT") hereunder:

10.1 Non-payment when due, after any applicable notice and grace period, of any sum required to be paid to Mortgagee under any of the Reimbursement Documents, including without limitation, principal and interest under the Note;

10.2 A breach of any covenant contained in Sections 5.8 or 5.9 hereof;

10.3 A breach by Mortgagor of any other term, covenant, condition, obligation or agreement under this Mortgage, and the continuance of such breach for a period of thirty (30) days after written notice thereof shall have been given to Mortgagor;

10.4 An Event of Default under any of the other Reimbursement Documents;

10.5 Any representation or warranty made by Mortgagor or by any other person providing collateral pursuant to or obligated to perform under any Reimbursement Document ("OTHER OBLIGATED PARTY") in any Reimbursement Document or to induce Mortgagee to enter into the transactions contemplated hereunder shall prove to be false, incorrect or misleading in any material respect as of the date when made.

10.6 The filing by or against Mortgagor or any Other Obligated Party of a petition seeking relief, or the granting of relief, under the Federal Bankruptcy Code or any similar federal or state statute, which, if an involuntary filing, has not been

discharged within sixty (60) days after filing; any assignment for the benefit of creditors made by Mortgagor or any Other Obligated Party; the appointment of a custodian, receiver, liquidator or trustee for Mortgagor or any Other Obligated Party or for any of the property of Mortgagor or such Other Obligated Party, or any action by Mortgagor or any Other Obligated Party to effect any of the foregoing; or if Mortgagor or any Other Obligated Party becomes insolvent (however defined) or is not paying its debts generally as they become due.

10.7 The dissolution, liquidation, merger, consolidation or reorganization of Mortgagor or any Other Obligated Party, or the institution of any proceeding to effect any of the foregoing;

10.8 A default beyond any applicable notice and grace periods, under any other obligation secured by a lien on the Mortgaged Premises or any part thereof, which lien shall be prior to the lien hereof.

11. REMEDIES.

If an Event of Default shall have occurred and be continuing, Mortgagee may take any of the following actions (without the obligation to marshal):

11.1 ACCELERATION. Mortgagee may declare the entire amount of the Liabilities immediately due and payable, without presentment, demand, notice of any kind, protest or notice of protest, all of which are expressly waived, notwithstanding anything to the contrary contained in any of the Reimbursement Documents. Mortgagee may collect interest from the date of default on the unpaid balance of the Liabilities, at the Default Rate.

11.2 POSSESSION. Mortgagee may enter upon and take possession of the Mortgaged Property, with or without legal action, lease the Mortgaged Property, collect therefrom all rentals and, after deducting all costs of collection and administration expense, apply the net rentals to any one or more of the following items in such manner and in such order of priority as Mortgagee, in Mortgagee's sole discretion, may elect: the payment of any sums due under any prior lien, taxes, water and sewer rents, charges and claims, insurance premiums and all other carrying charges, and to the maintenance, repair or restoration of the Mortgaged Property to compensation, salaries, expenses and disbursements of Mortgagee's agents, attorneys, or any other representatives of Mortgagee, the receiver in connection with the possession, control, and/or operation of the Mortgaged Property and the business operations conducted therefrom, or on account of the Liabilities. Mortgagee is given full authority to do any act that Mortgagor could do in connection with the management and operation of the Mortgaged Property. This covenant becomes effective either with or without any action brought to foreclose this Mortgage and without applying for a receiver of such rents. In addition to the foregoing, upon the occurrence of an Event of Default, Mortgagor shall pay monthly in advance to Mortgagee or to any receiver appointed to collect said rents the fair and reasonable rental value for Mortgagor's use and occupation of the Mortgaged Premises, and upon default

in any such payment Mortgagor shall vacate and surrender the possession of the Mortgaged Property to Mortgagee or to such receiver. If Mortgagor does not vacate and surrender the Mortgaged Property then Mortgagor may be evicted by summary proceedings.

11.3 FORECLOSURE. Mortgagee may institute any one or more actions of mortgage foreclosure against all or any part of the Mortgaged Property, or take such other action available to Mortgagee at law or in equity for the enforcement of this Mortgage and realization on the security herein or elsewhere provided for, as the law may allow, and may proceed therein to final judgment and execution for the entire unpaid balance of the Liabilities, together with all future advances and any other sums due by Mortgagor in accordance with the provisions of this Mortgage, together with interest from the date of default at the Default Rate, all costs of suit and attorneys' fees. Without limiting the foregoing, Mortgagee may foreclose this Mortgage and exercise its rights as a secured party for all or any portion of the Liabilities that are then due and payable, subject to the continuing lien of this Mortgage for the balance not then due and payable. In case of any sale of the Mortgaged Property by judicial proceedings, the Mortgaged Property may be sold in one parcel or in such parcels, manner or order as Mortgagee in its sole discretion may elect. Mortgagor, for itself and anyone claiming by, through or under it, hereby agrees that Mortgagee shall in no manner, in law or in equity, be limited, except as herein provided, in the exercise of its rights in the Mortgaged Property or in any other security hereunder or otherwise appertaining to the Liabilities or any other obligation secured by this Mortgage, whether by any statute, rule or precedent which may otherwise require said security to be marshalled in any manner and Mortgagor, for itself and others as aforesaid, hereby expressly waives and releases any right to or benefit thereof. The failure to make any tenant a defendant to a foreclosure proceeding shall not be asserted by Mortgagor as a defense in any proceeding instituted by Mortgagee to collect the Liabilities or any deficiency remaining unpaid after the foreclosure sale of the Mortgaged Property.

11.4 APPOINTMENT OF RECEIVER. If an Event of Default shall have occurred and be continuing, then for so long as and until the Liabilities are repaid in full, Mortgagee shall, as a matter of right and without regard to whether Mortgagee has commenced an action to foreclose the lien of this Mortgage be entitled to the appointment of a receiver for all or any part of the Mortgaged Premises, whether such receivership be part of the Mortgaged Premises or otherwise, and without regard to the nature of the action in which the appointment of a receiver is sought, and Mortgagor hereby consents to the appointment of such a receiver and will not oppose any such appointment. Mortgagee may also seek a temporary restraining order or other injunctive relief with respect to any act or omission constituting an Event of Default.

11.5 RIGHTS AS A SECURED PARTY. Mortgagee shall have, in addition to other rights and remedies available at law or in equity, the rights and remedies of a secured party under the Uniform Commercial Code. Mortgagee may elect to foreclose (i) such of the Mortgaged Property as then comprises fixtures pursuant either to the law applicable

to foreclosure of an interest in real estate or to that applicable to personal property under the Uniform Commercial Code, and (ii) such of the Mortgaged Property as then comprises Personal Property pursuant to the law applicable to foreclosure of an interest in personal property under the Uniform Commercial Code. To the extent permitted by law, Mortgagor waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

11.6 EXCESS MONIES. Mortgagee may apply on account of the Liabilities any unexpended monies still retained by Mortgagee that were paid by Mortgagor to Mortgagee: (i) for the payment of, or as security for the payment of taxes, assessments or other governmental charges, insurance premiums, or any other charges; or (ii) to secure the performance of some act by Mortgagor.

11.7 OTHER REMEDIES. Mortgagee shall have the right, from time to time, to bring an appropriate action to recover any sums required to be paid by Mortgagor under the terms of this Mortgage, as they become due, without regard to whether or not any other Liabilities shall be due, and without prejudice to the right of Mortgagee thereafter to bring an action of mortgage foreclosure, or any other action, for any default by Mortgagor existing at the time the earlier action was commenced.

Upon the occurrence and during the continuance of any Event of Default, Mortgagee shall have the power to sell the Mortgaged Property in accordance with the Uniform Commercial Code as enacted in the state in which the Mortgaged Property is located or under other applicable law.

12. CONTINUING ENFORCEMENT OF MORTGAGE.

If, after receipt of any payment of all or any part of the Liabilities, Mortgagee is required by law in connection with insolvency, fraudulent conveyance, bankruptcy or similar proceedings to surrender such payment, then this Mortgage and the other Reimbursement Documents shall continue in full force and effect, and Mortgagor shall be liable for, and shall indemnify, defend and hold harmless Mortgagee with respect to the full amount so surrendered. The provisions of this Section shall survive the cancellation or discharge of this Mortgage and shall remain effective notwithstanding the payment of the Liabilities, the cancellation of the Note, the release of any security interest, lien or encumbrance securing the Liabilities or any other action which Mortgagee may have taken in reliance upon its receipt of such payment. Any cancellation, release or other such action by Mortgagee shall be deemed to have been conditioned upon any payment of the Liabilities having become final and irrevocable.

13. MISCELLANEOUS.

13.1 REMEDIES CUMULATIVE. The rights and remedies of Mortgagee as provided in this Mortgage or in any other Reimbursement Document shall be cumulative and concurrent, may be pursued separately, successively or together, may be exercised as often as occasion therefor shall arise, and shall be in addition to any other rights or

remedies conferred upon Mortgagee at law or in equity. The failure, at any one or more times, of Mortgagee to assert the right to declare the Liabilities due, grant any extension of time for payment of the Liabilities, take other or additional security for the payment thereof, release any security, change any of the terms of the Reimbursement Documents, or waive or fail to exercise any right or remedy under any Reimbursement Document shall not in any way affect this Mortgage or the rights of Mortgagee.

13.2 INTEGRATION. This Mortgage and the other Reimbursement Documents constitute the sole agreement of the parties with respect to the transaction contemplated hereby and supersede all oral negotiations and prior writings with respect thereto.

13.3 ATTORNEYS' FEES AND EXPENSES. If Mortgagee retains the services of counsel by reason of a claim of a default or an Event of Default hereunder or under any of the other Reimbursement Documents, or institute and maintain an action to foreclose this Mortgage or to have a receiver appointed, or on account of any matter involving the Liabilities or Mortgagor's title to the Mortgaged Property or the security interest intended to be granted hereby, or for examination of matters subject to Mortgagee's approval under the Reimbursement Documents, all costs of suit and collection and all reasonable attorneys' fees and such other reasonable expenses so incurred by Mortgagee shall forthwith become due and payable, on demand, and shall be secured hereby.

13.4 NO IMPLIED WAIVER. Mortgagee shall not be deemed to have modified or waived any of its rights or remedies hereunder unless such modification or waiver is in writing and signed by Mortgagee, and then only to the extent specifically set forth therein. A waiver in one event shall not be construed as continuing or as a waiver of or bar to such right or remedy on a subsequent event.

13.5 PARTIAL INVALIDITY. The invalidity or unenforceability of any one or more provisions of this Mortgage shall not render any other provision invalid or unenforceable. In lieu of any invalid or unenforceable provision, there shall be added automatically a valid and enforceable provision as similar in terms to such invalid or unenforceable provision as may be possible.

13.6 BINDING EFFECT. The covenants, conditions, waivers, releases and agreements contained in this Mortgage shall bind, and the benefits thereof shall inure to, the parties hereto and their respective heirs, executors, administrators, successors and assigns and are intended and shall be held to be real covenants running with the land; provided, however, that this Mortgage cannot be assigned by Mortgagor without the prior written consent of Mortgagee, except as provided in the Reimbursement Agreement, and any such assignment or attempted assignment by Mortgagor shall be void and of no effect with respect to Mortgagee.

13.7 MODIFICATIONS. This Mortgage may not be supplemented, extended, modified or terminated except by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

13.8 COMMERCIAL LOAN. Mortgagor represents and warrants that the loans or other financial accommodations included as Liabilities secured by this Mortgage were obtained solely for the purpose of carrying on or acquiring a business or commercial investment and not for residential, consumer or household purposes.

13.9 JURISDICTION. Mortgagor irrevocably appoints each and every owner, partner and/or officer of Mortgagor as its attorneys upon whom may be served, by regular or certified mail at the address set forth in this Mortgage, any notice, process or pleading in any action or proceeding against it arising out of or in connection with this Mortgage or any of the other Reimbursement Documents; and Mortgagor hereby consents that any action or proceeding against it be commenced and maintained in any court within the State of New York, or the United States District Court for the Southern District of New York by service of process on any such owner, partner and/or officer; and Mortgagor agrees that the courts of the State of New York, and the United States District Court for the Southern District of New York shall have jurisdiction with respect to the subject matter hereof and the person of Mortgagor and all collateral securing the obligations of Mortgagor. Mortgagor agrees not to assert any defense to any action or proceeding initiated by Mortgagee based upon improper venue or inconvenient forum. Mortgagor agrees that any action brought by Mortgagee shall be commenced and maintained only in a court in the federal district or county in which Mortgagee has its principal place of business in New York.

13.10 NOTICES. All notices and communications under this Mortgage shall be in writing and shall be given by either (a) hand-delivery, (b) first class mail (postage prepaid), or (c) reliable overnight commercial courier (charges prepaid), to the addresses listed in this Mortgage. Notice shall be deemed to have been given and received: (i) if by hand delivery, upon delivery; (ii) if by mail, three (3) calendar days after the date first deposited in the United States mail; and (iii) if by overnight courier, on the date scheduled for delivery. A party may change its address by giving written notice to the other party as specified herein.

13.11 GOVERNING LAW. This Mortgage shall be governed by and construed in accordance with the substantive laws of the State of New York.

13.12 JOINT AND SEVERAL LIABILITY. If Mortgagor consists of more than one person or entity, the word "Mortgagor" shall mean each of them and their liability shall be joint and several.

13.13 WAIVER OF JURY TRIAL. MORTGAGOR AND MORTGAGEE AGREE THAT ANY SUIT, ACTION OR PROCEEDING, WHETHER CLAIM OR COUNTERCLAIM, BROUGHT BY MORTGAGEE OR MORTGAGOR ON OR WITH RESPECT TO THIS MORTGAGE OR ANY OTHER REIMBURSEMENT DOCUMENT OR THE DEALINGS OF THE PARTIES WITH RESPECT HERETO OR THERETO, SHALL BE TRIED ONLY BY A COURT AND NOT BY A JURY. MORTGAGEE AND MORTGAGOR EACH HEREBY KNOWINGLY,

VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. FURTHER, MORTGAGOR WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER, IN ANY SUCH SUIT, ACTION OR PROCEEDING, ANY SPECIAL, EXEMPLARY, PUNITIVE, CONSEQUENTIAL OR OTHER DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. MORTGAGOR ACKNOWLEDGES AND AGREES THAT THIS SECTION IS A SPECIFIC AND MATERIAL ASPECT OF THIS MORTGAGE AND THAT MORTGAGEE WOULD NOT EXTEND CREDIT TO ALEXANDER'S IF THE WAIVERS SET FORTH IN THIS SECTION WERE NOT A PART OF THIS MORTGAGE.

13.14 NON-RESIDENTIAL MORTGAGE. This Mortgage does not cover real property principally improved or to be improved by one or more structures containing in the aggregate not more than six residential dwelling units, each having its own separate cooking facilities.

13.15 NON-MERGER. In the event Mortgagee shall acquire title to the Mortgaged Premises by conveyance from Mortgagor or as a result of the foreclosure, this Mortgage shall not merge in the fee estate of the Mortgaged Premises but shall remain and continue as an existing and enforceable lien for the Liabilities secured hereby until the same shall be released of record by Mortgagee in writing.

14. DEFEASANCE.

This Mortgage shall terminate upon the payment in full of the Liabilities and the fulfillment or performance of all of the conditions of this Mortgage and the Liabilities. Thereupon, Mortgagee shall release the Mortgaged Property and shall execute at the request of Mortgagor a release of this Mortgage and any other instrument to that effect deemed necessary or desirable.

15. SUBORDINATION.

Notwithstanding any provision to the contrary set forth herein, the lien of this Mortgage is subject and subordinate to the lien of (i) that certain Mortgage given by Mortgagor in favor of Vornado Lending L.L.C., a New Jersey limited liability company ("VORNADO LENDING"), dated as of the date hereof, securing a loan in the principal amount of \$20,000,000, (ii) that certain Mortgage given by Mortgagor in favor of Vornado Lending, dated as of the date hereof, securing a loan in the principal amount of \$35,000,000, (iii) that certain Mortgage given by Mortgagor in favor of Vornado Lending, dated as of October 20, 1999 and amended on March 15, 2000 and further amended as of the date hereof, securing a loan in the principal amount of \$40,000,000 and (iv) that certain Mortgage given by Mortgagor in favor of Vornado Lending, dated as of August 2, 2000 and amended as of the date hereof, securing a credit line loan in the principal amount of \$50,000,000.

* * *

[SIGNATURES ON FOLLOWING PAGE]

D-25

IN WITNESS WHEREOF, Mortgagor, intending to be legally bound, has duly executed and delivered this Mortgage and Security Agreement as of the day and year first above written.

ALEXANDER'S OF REGO PARK III, INC.

By:

Name:

Title:

D-26

STATE OF _____)
) ss.:
COUNTY OF _____)

On the ___ day of _____, 2002, before me, the undersigned, personally appeared _____ personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument, and that such individual made such appearance before the undersigned in _____, _____.

Notary Public

SCHEDULE A

DESCRIPTION OF MORTGAGED PREMISES

(AS TO BLOCK 2076, LOTS 50 AND 63):

ALL that certain plot, piece or parcel of land with the building and improvements thereon erected, situate, lying and being in the Borough and County of Queens, City and State of New York, bounded and described as follows:

BEGINNING at the point formed by the intersection of the southerly side of Horace Harding Expressway, as widened and vested in the City of New York with the westerly side of 94th Place as laid out on the Final Topographical Map of the City of New York prior to the adoption on July 22, 1976 of Alteration Map No. 4680;

RUNNING THENCE southerly along the westerly side of 94th Place, 152.54 feet to the corner formed by the intersection of the westerly side of said 94th Place with the northeasterly side of 62nd Avenue as laid out on the Final Topographical Map of the City of New York prior to the adoption on July 22, 1976 of Alteration Map No. 4680;

THENCE southwesterly along the northwesterly side of said 62nd Avenue, 241.92 feet to the corner formed by the intersection of the northwesterly side of 62nd Avenue with the northeasterly side of 93rd Street as legally opened (50 feet wide);

THENCE northwesterly along the northeasterly side of said 93rd Street, 313.89 feet to the corner formed by the intersection of the northeasterly side of said 93rd Street with the southerly side of said Horace Harding Expressway;

THENCE easterly along the southerly side of said Horace Harding Expressway, 361.89 feet to the point or place of BEGINNING.

Also known as the following tax designation: Block 2076, Lots 50 and 63 (Queens County).

(AS TO BLOCK 2077, LOTS 90 and 98):

ALL that certain plot, piece or parcel of land with the building and improvements thereon erected, situate, lying and being in the Borough and County of Queens, City and State of New York, bounded and described as follows:

BEGINNING at the point formed by the intersection of the southerly side of Horace Harding Expressway as widened and vested in the City of New York with the westerly side of Junction Boulevard as now laid out on the Final Topographical Map of the City of New York (80 feet wide);

RUNNING THENCE southerly along the westerly side of Junction Boulevard, 379.04 feet to the corner formed by the intersection of the westerly side of Junction Boulevard with the northerly side of 62nd Road as laid out on the Final Topographical Map of the City of New York prior to the adoption on January 26, 1973 of Alteration Map No. 4627 with the westerly side of Junction Boulevard;

THENCE westerly along the northerly side of said 62nd Road, 205.04 feet to an angle in said 62nd Road;

THENCE southwesterly along the northerly or northwesterly side of said 62nd Road, 36.52 feet to land now or formerly of the City of New York;

THENCE northeasterly along land now or formerly of the City of New York and along a line forming an interior angle of 9 degrees 40 minutes 26 seconds with the said side of said 62nd Road, 185.09 feet;

THENCE northerly along land now or formerly of the City of New York and along a line forming an exterior angle of 132 degrees 21 minutes 28.1 seconds with the last mentioned course, 34.19 feet;

THENCE still northerly along land now or formerly of the City of New York and along a line forming an exterior angle of 174 degrees 05 minutes 52 seconds with the last mentioned course, 29.32 feet;

THENCE still northerly along land now or formerly of the City of New York and along a line forming an exterior angle of 191 degrees 15 minutes 11 seconds with the last mentioned course, 71.46 feet;

THENCE southwesterly along land now or formerly of the City of New York and along a line forming an exterior angle of 53 degrees 29 minutes 07 seconds with the last mentioned course, 112.85 feet to the easterly side of 94th Place, as laid out on the Final Topographical Map of the City of New York prior to the adoption on July 22, 1976 of Alteration Map No. 4680;

THENCE northerly along the easterly side of 94th Place, 184.77 feet to the corner formed by the intersection of the easterly side of 94th Place with the southerly side of said Horace Harding Expressway; and

THENCE easterly along the southerly side of Horace Harding Expressway, 200.46 feet to the point or place of BEGINNING.

Also known as the following tax designation: Block 2077, Lots 90 and 98 (Queens County).

SCHEDULE B

PERMITTED EXCEPTIONS

1. Taxes, tax liens, tax sales, water rates, and sewer rents and assessments set forth in schedule herein.

2. Rights of tenants or persons in possession.

3. Parcel A: Survey made by Gerald T. O'Buckley, dated January 29, 1995 discloses the following:

a. Survey delineates street easements.

b. Fences and curbs vary with record line.

c. Catch basin shown in southeast corner.

Policy excepts any changes from date of above survey.

Parcel B: Survey made by Gerald T. O'Buckley, dated January 29, 1995 discloses the following:

A. Fences and curbs vary with record lines.

B. Survey delineates area of former bed of 62nd Avenue affects southeasterly portion of premises which is used as a public thoroughfare for pedestrians and vehicles.

C. Curbing and asphalt area used as part of 62nd Avenue encroaches on to Lot 50 in the northeast.

D. Fences, gates and booths encroach onto 94th Place.

Policy excepts any changes from date of above survey.

4. Covenants and restrictions contained in Liber 2664 page 420.

5. Covenants and restrictions contained in Liber 2686 page 115.

6. Covenants and restrictions contained in Liber 2666 page 180.

7. Covenants and restrictions contained in Liber 2686 page 432.

8. Covenants and restrictions contained in Liber 2664 page 441.

9. Covenants and restrictions contained in Liber 2664 page 442.

10. Covenants and restrictions contained in Liber 2664 page 455.
11. Covenants and restrictions contained in Liber 2664 page 457.
12. Covenants and restrictions contained in Liber 2664 page 467.
13. Covenants and restrictions contained in Liber 2664 page 468.
14. Covenants and restrictions contained in Liber 2666 page 195.
15. Covenants and restrictions contained in Liber 2668 page 419.
16. Covenants and restrictions contained in Liber 2668 page 422.
17. Covenants and restrictions contained in Liber 2668 page 425.
18. Covenants and restrictions contained in Liber 2825 page 5.
19. Covenants and restrictions contained in Liber 2690 page 430.
20. Covenants and restrictions contained in Liber 3313 page 11.
21. Covenants and restrictions contained in Liber 5840 page 494.
22. Covenants and restrictions contained in Liber 5967 page 633.
23. Covenants and restrictions contained in Liber 6034 page 264.
24. Declaration recorded in Liber 3624 page 89.
25. Consent and Authorization for the construction, maintenance and operation of a subway staircase as recorded in liber 3448 page 454.
26. Easement to The Brooklyn Union Gas Company recorded in Liber 6805 page 1
27. Water Main Easement to The City of New York recorded in Liber 7442 page 456.
28. Water Main Easement to The City of New York recorded in Liber 7442 page 460.
29. Terms, covenants and conditions of The Indenture recorded in Liber 6297 page 149, as amended by Liber 6297 page 159 and by Liber 6800 page 84
30. Declaration of Restriction recorded in Liber 6696 page 40, as amended by Agreement recorded in Liber 7744 page 339.
31. Agreement for Sewage Pumping Station recorded in Liber 6696 page 45.
32. Terms, covenants and conditions of the Easement Agreement recorded in Reel 926 page 1282.

33. Terms, covenants and conditions of the Agreement recorded in Reel 932 page 207.

34. Terms, covenants and conditions of the Declaration by Alexander's, Inc., recorded in Reel 2341 page 1794.

35. Terms, covenants and conditions of the Subway Entrance Agreement recorded in Reel 2342 page 2288.

36. Terms, covenants and conditions of the Declaration of Covenants and restrictions recorded in Reel 926 Page 1291.

37. Approximately 10 feet of the premises described in Schedule A lies in the bed of 97th Street as the same is laid out on the official map of The City of New York. This portion of the premises is subject to Section 35 of the General City Law.

38. A continuous street easement which is shown on Map No. 4822 adopted by the Board of Estimate on March 2, 1987 on Cal. No. 1, abuts the westerly side of Junction Boulevard and the southerly side of Horace Harding Expressway and is 5 feet in width for a length of 254 feet extending northerly from its most southerly side along the westerly side of Junction Boulevard and 6 feet in width for a length of 275.461 feet extending easterly from its most westerly side along the southerly side of Horace Harding Expressway and the westerly side of the 5 foot wide portion of said street easement which abuts the westerly side of Junction Boulevard is connected to the southerly side of the 6 foot wide portion of said street easement which abuts the southerly side of Horace Harding Expressway by an arc of a circle which has a radius of 35 feet, a central angle of 92 degrees 24 minutes 49.65 seconds and an arc of length of 56.452 and is convex to the intersection of the southerly side of Horace Harding Expressway and the westerly side of Junction Boulevard. Horace Harding Expressway and Junction Boulevard are as shown on Map No. 4822 adopted by the Board of Estimate on March 2, 1987 on Cal. No. 1. Part of said street easement is contained within the premises described in Schedule A and part of said street easement is contained within the premises described in Schedule A.

39. Waiver of Legal Grade recorded July 29, 1995 in Reel 4165 page 2009.

40. The following Judgment must be satisfactorily disposed of at or prior to closing:

a. Plaintiff: Avon Brothers Inc.

5201 Industrial Road, Farmingdale, New Jersey 07727

Defendant: Alexander's of Rego Park Inc.

31 West 34th Street, New York, New York 10001

Amount: \$335,081.85

Dock.: February 9, 1999

Court: Queens Supreme

Index #: 6881198

RECORD AND RETURN TO:

Sullivan & Cromwell
125 Broad Street
New York, New York 10004-2498
Attention: Gary Israel, Esq.

D-35

EXHIBIT E
FORM OF NOTE

New York, New York

as of July 3, 2002

FOR VALUE RECEIVED, the undersigned, ALEXANDER'S, INC., a Delaware corporation ("Alexander's"), 731 COMMERCIAL LLC, a Delaware limited liability company and 731 RESIDENTIAL LLC, a Delaware limited liability company (each, including Alexander's, a "Maker", and collectively, "Makers"), hereby jointly and severally promise to pay to the order of VORNADO REALTY L.P., a Delaware limited partnership ("Lender"), all amounts that have been advanced by Lender under the Reimbursement Agreement (as hereinafter defined) (the "Loan"), in United States Dollars, together with interest thereon as provided in that certain Reimbursement Agreement, dated as of July 3, 2002, by and between Makers and Lender (the "Reimbursement Agreement"). The principal amount advanced by Lender under the Reimbursement Agreement shall be noted in the transaction records of Lender and, absent manifest error, such records shall be conclusive as to the matters noted. Notwithstanding the foregoing, Lender's failure to note the principal amount of any advance shall not affect Makers' obligations under this Note or the other Reimbursement Documents.

1. CERTAIN DEFINED TERMS. Capitalized terms used herein and not otherwise defined have the meanings ascribed to such terms in the Reimbursement Agreement.

2. PAYMENT OF PRINCIPAL AND INTEREST; DEFAULT RATE; LATE CHARGES. The entire unpaid principal amount hereof, together with accrued and unpaid interest thereon shall be due and payable on the Maturity Date or on such earlier date as the Loans become due as provided in the Reimbursement Agreement. The Makers shall pay interest on the unpaid principal amount hereof, from the date hereof until but excluding the Maturity Date, in arrears on the fifteenth day of each month at a rate per annum equal to the Interest Rate.

From and after the Maturity Date and upon the occurrence and during the continuance of an Event of Default specified in Section 8.01 of the Reimbursement Agreement, the Makers shall pay interest on (i) the unpaid principal amount hereof and (ii) the amount of any interest, fee or other amount due and payable hereunder which is not paid when due, from the date such amount shall be due until such amount shall be paid in full, in either clause (i) or (ii) payable immediately on the Maturity Date or on demand after such occurrence and during such continuance, at a rate per annum equal at all times to the Default Rate.

In the event any payment of principal or any interest is not made within five days after the date on which such amount first becomes due and payable, Lender may, at its option, require the Makers to make an additional payment to Lender as a late charge in an amount equal to 5% of such overdue amount.

3. APPLICATION OF PAYMENTS. Except as otherwise specified herein, each payment or prepayment, if any, made under this Note shall be applied to pay late charges, accrued and unpaid interest, principal, escrows (if any), and any other fees, costs and expenses which Makers are obligated to pay under this Note, in such order as Lender may elect from time to time in its sole discretion.

4. TENDER OF PAYMENT.

4.1 All payments on this Note are payable on or before 11:00 a.m. on the due date thereof, to the account of Vornado Realty L.P. maintained at Fleet Bank (Account No. 9403934589), or such other account or place as Lender shall designate in writing from time to time and shall be credited on the date the funds become available in lawful money of the United States.

4.2 All computations of interest and fees shall be made in accordance with the terms of the Reimbursement Agreement.

4.3 All sums payable to Lender which are due on a day that is not a Business Day shall be made on the next succeeding Business Day and such extended time shall be included in the computation of interest.

5. PREPAYMENT.

The principal amount of this Note may not be prepaid except in accordance with and subject to the terms and conditions of the Reimbursement Agreement.

6. SECURITY FOR THE NOTE.

6.1 This Note is executed and delivered in accordance with a commercial transaction described in the Reimbursement Agreement. As security for Alexander's Reimbursement Obligations under the Reimbursement Agreement, including, without limitation, the Immediate Reimbursement Obligations and the payment obligations hereunder (collectively, the "Obligations"), Alexander's has delivered or has caused to be delivered to Lender, inter alia, the Collateral Documents referred to in the Reimbursement Agreement.

6.2 Alexander's hereby grants to Lender a continuing security interest in all property of Alexander's, now or hereafter in the possession of Lender in any capacity whatsoever, including, but not limited to, any balance or share of any deposit, trust or agency account, as security for the Obligations, which security interest shall be enforceable and subject to all the provisions of this Note, as if such property were

specifically pledged hereunder and the proceeds of such property may be applied at any time and without notice to any of Alexander's liabilities hereunder.

7. ADDITIONAL PAYMENTS.

In addition to the other payments provided for above, each Maker promises to pay on demand any interest and any other monies required to be paid by Makers, or paid or advanced on behalf of Makers by Lender, pursuant to the terms of the Reimbursement Agreement or any other Reimbursement Document, which obligation shall be continuing and shall survive any judgment entered with respect to this Note. This Note shall evidence, and the Reimbursement Obligations under the Reimbursement Agreement shall include, all such sums so advanced or paid.

8. REMEDIES.

Upon the occurrence and during the continuance of an Event of Default, Lender may exercise any right, power or remedy permitted by law or as set forth herein or in the Reimbursement Agreement, the Collateral Documents or any other Reimbursement Document including, without limitation, the right to declare the entire unpaid principal amount hereof and all interest accrued hereon, and all other sums secured by the Collateral Documents or any other Reimbursement Document to be, and such principal, interest and other sums shall thereupon become forthwith, due and payable.

9. MISCELLANEOUS.

9.1 Remedies Cumulative. The rights and remedies of Lender as provided herein and in any other Reimbursement Document shall be cumulative and concurrent, may be pursued separately, successively or together against Makers or the Collateral or any other collateral securing the Obligations, or any guarantor thereof, at the sole discretion of Lender, may be exercised as often as occasion therefor shall arise, and shall be in addition to any other rights or remedies conferred upon Lender at law or in equity. The failure, at any one or more times, of Lender to exercise any such right or remedy shall in no event be construed as a waiver or release thereof. Lender shall have the right to take any action it deems appropriate without the necessity of resorting to any collateral securing the Obligations.

9.2 Integration. This Note and the other Reimbursement Documents constitute the sole agreement of the parties with respect to the transaction contemplated hereby and supersede all oral negotiations and prior writings with respect thereto.

9.3 Attorneys' Fees and Expenses. If Lender retains the services of counsel by reason of a default or an Event of Default hereunder or under any of the other Reimbursement Documents, or on account of any matter involving this Note, or for examination of matters subject to Lender's approval under the Reimbursement Documents, all costs of suit and all reasonable attorneys' fees and such other reasonable expenses so incurred by Lender shall forthwith, on demand, become due and payable and shall be evidenced hereby.

9.4 No Implied Waiver. Lender shall not be deemed to have modified or waived any of its rights or remedies hereunder unless such modification or waiver is in writing and signed by Lender, and then only to the extent specifically set forth therein. A waiver in one event shall not be construed as continuing or as a waiver of or bar to such right or remedy on a subsequent event.

9.5 Waiver. Each Maker waives demand, notice, presentment, protest, demand for payment, notice of dishonor, notice of protest and diligence of collection of this Note. Each Maker consents 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 any collateral, with or without substitution. Each Maker agrees that makers, endorsers, guarantors and sureties may be added or released without notice and without affecting such Maker's liability hereunder. The liability of each Maker shall not be affected by the failure of Lender to perfect or otherwise obtain or maintain the priority or validity of any security interest in any collateral. The liability of each Maker shall be absolute and unconditional and without regard to the liability of any other party hereto.

9.6 No Usurious Amounts. Anything herein contained to the contrary notwithstanding, the Makers do not agree, and shall not be obligated to pay, interest hereunder at a rate which is in excess of the maximum rate permitted by law. If by the terms of this Note, Makers are at any time required to pay interest at a rate in excess of such maximum rate, the rate of interest under this Note shall be deemed to be immediately reduced to such maximum legal rate and the portion of all prior interest payments in excess of such maximum legal rate shall be applied to and shall be deemed to have been payments in reduction of the outstanding principal balance. Makers agree that in determining whether or not any interest payable under this Note exceeds the highest rate permitted by law, any non-principal payment, including without limitation, late charges, shall be deemed to the extent permitted by law to be an expense, fee, premium or penalty rather than interest.

9.7 Partial Invalidity. The invalidity or unenforceability of any one or more provisions of this Note shall not render any other provision invalid or unenforceable.

9.8 Binding Effect. The covenants, conditions, waivers, releases and agreements contained in this Note shall bind, and the benefits thereof shall inure to, the parties hereto and their respective heirs, executors, administrators, successors and assigns; provided, however, that this Note may not be assigned by any Maker without the prior written consent of Lender, and any such assignment or attempted assignment by such Maker shall be void and of no effect with respect to Lender.

9.9 Modifications. This Note may not be supplemented, extended, modified or terminated except by an agreement in writing signed by the party against whom enforcement of any such waiver, change, modification or discharge is sought.

9.10 Joint and Several Obligations. The obligations of Makers under this Note shall be joint and several.

9.11 Jurisdiction. Each Maker irrevocably appoints each and every owner, partner and/or officer of such Maker as its attorneys upon whom may be served, by regular or certified mail at the address set forth below, any notice, process or pleading in any action or proceeding against it arising out of or in connection with this Note or any other Reimbursement Document; and each Maker hereby consents that any action or proceeding against it be commenced and maintained in any court within the State of New York or the State of New Jersey or in the United States District Court for the Southern District of New York or the United States District Court for the Southern District of New Jersey by service of process on any such owner, partner and/or officer; and each Maker agrees that the courts of the State of New York and the State of New Jersey and the United States District Court for the Southern District of New York and the United States District Court for the Southern District of New Jersey shall have jurisdiction with respect to the subject matter hereof and the person of each Maker. The Makers agree not to assert any defense to any action or proceeding initiated by Lender in such courts based upon improper venue or inconvenient forum. The foregoing shall not restrict or otherwise affect the right of the Lender to commence any action or proceeding on this Note or any other Reimbursement Document in any other court or courts having jurisdiction.

9.12 Notices. All notices and communications relating to this Note shall be in writing and shall be given in the manner provided in the Reimbursement Agreement.

9.13 Governing Law. This Note shall be governed by and construed in accordance with the substantive laws of the State of New York without regard to the conflicts of law principles thereof.

9.14 Waiver of Jury Trial. THE MAKERS AND LENDER AGREE THAT ANY SUIT, ACTION OR PROCEEDING, WHETHER CLAIM OR COUNTERCLAIM, BROUGHT BY LENDER OR MAKERS, ON OR WITH RESPECT TO THIS NOTE OR ANY OTHER REIMBURSEMENT DOCUMENT OR THE DEALINGS OF THE PARTIES WITH RESPECT HERETO OR THERETO, SHALL BE TRIED ONLY BY A COURT AND NOT BY A JURY. LENDER AND MAKERS EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. FURTHER, EACH OF THE MAKERS AND LENDER WAIVE ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER, IN ANY SUCH SUIT, ACTION OR PROCEEDING, ANY SPECIAL, EXEMPLARY, PUNITIVE, CONSEQUENTIAL OR OTHER DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES, BUT THE FOREGOING SHALL NOT BE CONSTRUED TO PROHIBIT, RESTRICT OR OTHERWISE IMPAIR THE EXERCISE OF ANY RIGHTS OR REMEDIES EXPRESSLY PROVIDED TO AN PARTY IN ANY OF THE REIMBURSEMENT DOCUMENTS. THE MAKERS

ACKNOWLEDGE AND AGREE THAT THIS SECTION IS A SPECIFIC AND MATERIAL ASPECT OF THIS NOTE AND THAT LENDER WOULD NOT EXTEND CREDIT TO THE MAKERS IF THE WAIVERS SET FORTH IN THIS SECTION WERE NOT A PART OF THIS NOTE.

9.15 Registered Form. This Note may be transferred only through its surrender to Makers for the issuance of a new note or notes to a new holder or holders.

IN WITNESS WHEREOF, each Maker, intending to be legally bound,
has duly executed and delivered this Note as of the day and year first above
written.

By: ALEXANDER'S, INC.

By: /s/ Joseph Macnow
Name: Joseph Macnow
Title: Executive Vice President

By: 731 COMMERCIAL LLC

By: 731 Commercial Holding LLC

By: Alexander's, Inc.

By: /s/ Joseph Macnow
Name: Joseph Macnow
Title: Executive Vice President

By: 731 RESIDENTIAL LLC

By: 731 Residential Holding LLC

By: Alexander's, Inc.

By: /s/ Joseph Macnow
Name: Joseph Macnow
Title: Executive Vice President

E-7

Schedule I

PROPERTIES

1. THIRD AVENUE PROPERTY

Address: 2948-54 Third Avenue;
633 Bergen Avenue;
2964 Third Avenue; and
2970 Third Avenue
Bronx, New York

Tax Map Designation: Section: 9 Block: 2362 Lots: 44, 72, 71, 52 & 53
City: New York County: Bronx State: New York

2. 59TH STREET PROPERTY

Address: 162-64 East 59th St a/k/a 976-88 Third Ave
135-39 East 58th St a/k/a 723-33 Lexington Ave
136-40 East 59th St a/k/a 735-41 Lexington Ave
New York, New York

Tax Map Designation: Block: 1313 Lots: 40, 42, 43 & 50
City: New York County: New York State: New York

3. REGO PARK II PROPERTY

Address: Junction Boulevard
Rego Park, New York

Tax Map Designation: Block: 2080 Lot: 101

4. REGO PARK III PROPERTY

Address: Junction Boulevard
Rego Park, New York

Tax Map Designation: Block: 2077 Lot: 90 and 98
Block: 2076 Lot: 50 and 63

5. 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

AMENDMENT TO REAL ESTATE RETENTION AGREEMENT

THIS AMENDMENT TO REAL ESTATE RETENTION AGREEMENT (this "Amendment") is made as of the 3 day of July, 2002, by and among ALEXANDER'S INC., a Delaware corporation ("Alexander's"), having an address at 210 Route 4 East, Paramus, New Jersey 07652, (sometimes hereinafter referred to as "Owner"), and VORNADO REALTY, L.P., a Delaware, having an office at 210 Route 4 East, Paramus, New Jersey 07652 ("Consultant").

R E C I T A L S

A. Alexander's and Consultant's predecessors-in-interest, Vornado, Inc. and Keen Consultants Inc., have heretofore entered into that certain Real Estate Retention Agreement, dated July 20, 1992 (the "Retention Agreement").

B. As of the date hereof, Consultant and 731 Commercial LLC and 731 Residential LLC have entered into that certain 59th Street Real Estate Retention Agreement (the "59th Street Retention Agreement"), relating to the property located at 731 Lexington Avenue, New York, New York and referenced to in the Retention Agreement Schedule of Assets as "59th Street, New York City" (the "59th Street Property").

C. Whereas, Owner and Manager desire to amend the Retention Agreement to delete the 59th Street Property from such Retention Agreement and to make certain other conforming changes.

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 to the following amendments to be effective from and after the date hereof (the "Effective Date"):

1. Schedule of Assets. The Schedule of Assets to the Retention Agreement is hereby amended to delete the 59th Street Property therefrom.

2. Fee. The third sentence of Article II.C.1.(b) is hereby deleted and the following substituted therefor:

"Notwithstanding the immediately preceding sentence, Vornado's fee will be payable in an amount not to exceed \$2,500,000 in any calendar year or part thereof (or such lesser amount as may be due Vornado hereunder), less any amounts paid to Vornado under the 59th Street Retention Agreement with respect to the same period. The fee shall be paid in equal monthly installments until the present value (applying a discount rate of 9% per annum) of such installments paid to Vornado equals the fee due hereunder that would have been paid had it been paid simultaneously with the closing, assignment or other consummation of the applicable transaction; provided, however, that (i) fees payable in respect of a sale, assignment or Acquisition

Transaction are paid first and (ii) Vornado shall not be entitled to receive any fees in respect of a lease or sublease to the extent the tenant is in default of its payment obligations thereunder, except as a result of a default by the Owner or a termination by Owner of the lease or sublease (other than a termination by the Owner resulting from the tenant's monetary default).

3. 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.

4. Defined Terms. All terms capitalized but not defined herein shall have the same meaning ascribed to such terms in the Retention 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.

5. Amendment. This Amendment is incorporated into and made a part of the Retention Agreement, and the Retention Agreement and all terms, conditions and provisions of the Retention 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.

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

7. 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.

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

9. Accrued 59th Street Property Fees. Consultant acknowledges and agrees that any fees that become payable with respect to the leases listed on Schedule A attached hereto shall be payable under the 59th Street Retention Agreement and not the Retention Agreement modified by this Amendment.

[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/ Brian Kurtz

Name: Brian Kurtz

Title: Assistant Secretary

MANAGER:
VORNADO REALTY, L.P.

By: /s/ Joseph Macnow

Name: Joseph Macnow

Title: Executive Vice President

Financial & Administration

SCHEDULE A

1. Agreement of Lease, dated as of April 30, 2002, between Seven Thirty One Limited Partnership, as landlord ("Landlord"), and Bloomberg L.P., as tenant ("Tenant"), as amended by (i) a letter agreement, dated December 20, 2001, between Landlord and Tenant, (ii) a letter agreement, dated January 30, 2002, between Landlord and Tenant, (iii) the First Amendment of Lease, dated as of April 19, 2002, between Landlord and Tenant and (iv) a letter agreement, dated as of June __, 2002, between Landlord and Tenant with respect to a portion of the commercial parcel at 731 Lexington Avenue, New York, New York.

2. Agreement of Lease, dated as of August 6, 1999, between Seven Thirty One Limited Partnership, as landlord ("Landlord"), and H&M Hennes & Mauritz Inc., as tenant ("H&M Inc."), as amended by the First Amendment of Lease, dated as of August 23, 2001, between Landlord and H&M Hennes & Mauritz L.P. ("Tenant") as successor in interest to H&M Inc. with respect to a portion of the commercial parcel at 731 Lexington Avenue, New York, New York.

59TH STREET REAL ESTATE
RETENTION AGREEMENT

By this 59th Street Real Estate Retention Agreement, dated as of July 3, 2002, VORNADO REALTY L.P., a Delaware limited partnership having an office c/o Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019 ("Vornado") agrees to act as special real estate consultant to 731 RESIDENTIAL LLC, a Delaware limited liability company and 731 COMMERCIAL LLC, a Delaware limited liability company, each having an office c/o Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019 ("Owner"), with respect to the leasing and disposition of Owner's real property, as well as the sale of Owner's right, title and interest in the fixtures and improvements thereat (which is disposed of with the real property), including, without limitation, the condominium units planned for development thereon as more specifically described in the attached Schedule A (the "Asset(s)"), and the compensation Vornado expects to receive.

I. SUMMARY OF MARKETING SERVICES

Vornado will provide those services that are reasonably necessary to market the Assets, as contemplated by this Retention Agreement. Such services may include, but are not necessarily limited to, those generally described below:

1. Inspecting the Assets to determine their physical condition.
2. Creating a marketing program which may include newspapers, magazine or journal advertising, flyer solicitation and placement of signs, as appropriate. Preparing and disseminating all such marketing materials, all of which shall be approved by Owner and shall be at the sole cost and expense of Owner.
3. Communicating with parties who have expressed an interest in the Assets and responding and providing information to, negotiating with, and soliciting offers from, prospective purchasers, including landlords, and making recommendations to Owner as to the advisability of accepting particular offers and settlements.
4. Arranging for physical inspections of the Assets by prospective purchasers.
5. When requested, meeting periodically with Owner, their accountants and attorneys, in connection with the status of Owner's efforts and recommending to Owner and its counsel the proper method of handling the particular problems encountered with respect to the disposition of the Assets.
6. If required, appearing in Court during the term of this retention, to testify or to consult with Owners in connection with the marketing or disposition of the Assets.

II. BASIS OF RETENTION AND COMPENSATION

Vornado will actively and diligently discharge its obligations under this Agreement. Vornado shall be retained by Owner for the purpose of performing the services outlined above, upon the following terms and conditions:

A. Exclusive Right:

1. Vornado shall have the sole and exclusive authority to offer each Asset for disposition and the "exclusive right to sell" and "exclusive right to lease" each Asset. All communications and inquiries regarding any Asset, whether directed to Owner (including but not limited to their officers, agents and employees), or Owners' counsel, accountants, or other professionals, shall be redirected to Vornado.

2. Owner shall retain the complete discretion and authority to accept or reject any offer. Owner shall not have any liability whatsoever to Vornado for exercising its discretion with respect to the acceptance or rejection of any offer.

B. Term: The term of Vornado's retention shall be from the date hereof and shall continue for one (1) year hereafter, and, thereafter, shall automatically renew on a year-to-year basis, terminable by either party at the end of each year on not less than sixty (60) days' prior notice.

C. Fee: Vornado's fee shall be computed and paid as follows:

1. (a) When Owner disposes of an Asset, whether individually or as part of a package or as part of the disposition of Owner's business or a portion thereof, or as part of a plan or reorganization, by sale, assignment, lease, sublet or otherwise to a third party, or by assignment of a leasehold to the landlord or by termination of a leasehold for which Owner receives consideration; or, if in lieu of a disposition of the Assets, one or more third parties acquires control of Owner by merger, outright purchase, or otherwise in one or multiple transactions (an "Acquisition Transaction"); then Owner shall pay an amount equal to three percent (3%) of the Gross Proceeds from the transaction pertaining to such Asset (or in the case of an Acquisition Transaction, the Gross Proceeds in respect thereof) except in the event of a lease or sublease, in which event Owner shall pay an amount equal to:

(i) three (3%) percent of the total base rent Gross Proceeds payable during the first ten (10) years of the term, plus

(ii) two (2%) percent of the total base rent Gross Proceeds payable during the eleventh (11th) through the twentieth (20th) years of the term, plus

(iii) one (1%) percent of the total base rent Gross Proceeds payable during the balance of the term, but in no event to exceed the thirtieth (30) year;

(In the event of a month-to-month tenancy, the fee shall be 50% of the first month's base rental, payable in four equal monthly installments of 25% of the total fee, but only for so long as such tenancy shall continue. Additional fees shall become earned and payable (i) upon a tenant's exercise of Option(s) or Right(s) of First Refusal, to Renew, Extend Lease or Occupy Additional Space, as discussed below or (ii) upon a month-to-month tenant entering into a new lease or sublease of an Asset).

(b) Vornado's fee will be paid in full simultaneously with the closing, sale, assignment or other consummation of the transaction. Notwithstanding the immediately preceding sentence, Vornado's fee will be payable in an amount not to exceed \$2,500,000 in any calendar year or part thereof (or such lesser amount as may be due Vornado hereunder) in equal monthly installments until the present value (applying a discount rate of 9% per annum) of such installments paid to Vornado equals the fee due hereunder that would have been paid had it been paid simultaneously with the closing, assignment or other consummation of the applicable transaction; provided, however, that (i) fees payable in respect of a sale, assignment or Acquisition Transaction are paid first and (ii) Vornado shall not be entitled to receive any fees in respect of a lease or sublease to the extent the tenant is in default of its payment obligations thereunder, except as a result of a default by the Owner or a termination by Owner of the lease or sublease (other than a termination by the Owner resulting from the tenant's monetary default). Any payment made to Vornado pursuant to the immediately preceding sentence will be credited against the fees to which Vornado shall be entitled, provided that such amounts shall have been earned hereunder. If Vornado's fees shall not equal at least at the amount of reimbursements paid to Vornado under this paragraph (b), then Vornado will remit the excess of reimbursement amounts over fees to Owner. Any fees that become payable with respect to the leases listed on Schedule B attached hereto shall be payable by Owner under this Agreement in accordance with the above provisions.

(c) In the event that the Owner leases or subleases an Asset and the transferee, or any agent, officer, employee, or shareholder of the transferee, acquires fee-simple title to such property within five years, Vornado shall then receive three percent (3%) of the Gross Proceeds payable in the same manner as described above; provided, however, that there shall be a credit against such subsequent fee in the amount of fees, previously paid relating to that portion of the lease or sublease term which is cancelled by reason of such sale. In no event shall such credit exceed the amount of the latter fee.

(d) If an Asset for which a fee is payable hereunder contains (i) an option(s) or right(s) of first refusal to renew or extend, and a lease term(s) is renewed or extended whether strictly in accordance with the terms of such option(s) or right(s) or otherwise and/or (ii) an option(s) or right(s) of first refusal to expand, and a tenant occupies additional space whether strictly in accordance with the terms of such option(s) or right(s) or otherwise, with respect to space owned by, or leased to, the Owner, then Owner shall pay a leasing fee in accordance with the provisions of this agreement on the additional base rental to be paid, except that in the case of renewal or extension, the fee shall be calculated at the rate applicable hereunder as if such renewal or extension period were included in the initial term of the lease, and in the case of the tenant occupying additional space, the fee shall be calculated at the rate applicable hereunder as if such

expansion were a new lease. Such fee shall be earned and payable at the time the extended term commences or the additional space is occupied, as applicable.

(e) If a lease for which a fee is payable hereunder contains, as a primary component of the consideration to be paid by a tenant for the rent thereunder, a percentage rent clause, Owner shall pay a fee on the percentage rent payable by the tenant at the commission rate applicable to the period of the lease term for which the percentage rent is payable. Subject to paragraph II.C.1 of this Retention Agreement, the fee shall be payable within fifteen days after the tenant's final payment and accounting of percentage rent for the preceding lease year.

(f) In any transaction whereby Owner leases or subleases an Asset, Vornado shall have the right to receive all formal notifications required pursuant to the lease to the extent that any such notice may affect the rights of Vornado hereunder or the timing or payment of any fees due hereunder. In furtherance of such rights, Owner shall insert within the terms of such lease or sublease a separate paragraph that states Vornado's right to notice, right to a fee as described in the above subparagraphs and Vornado's address and phone number shall be included in the "notice" provision of such lease or sublease.

(g) In the event that a party other than Vornado is a procuring broker who is entitled to a fee, the fees payable shall be increased from three percent (3%) to four percent (4%) and, in the event of a lease or sublease, the three-two-one (3-2-1) schedule set forth in paragraphs II.C.1(a)(i), (ii) and (iii) above shall be increased to four-three-two (4-3-2) and Vornado shall pay the fee of the procuring broker. For any given transaction, Owner shall be responsible for the payment of only one fee in the amounts set forth herein.

(h) The term "base rent" means the base rent set forth in any lease and shall not include any additional rent, whether for utilities, taxes or otherwise, and which is ordinarily not a component of base rent, which may be payable under such lease.

2. The term "Gross Proceeds" as used herein shall include the sum of:

(a) the total cash consideration transferred to or for the benefit of Owner; plus

(b) the balance, if any, of any outstanding mortgage(s) to be transferred to or assumed by the transferee; plus

(c) any deferred payment obligation granted by Owner to the transferee; plus

(d) the value of any waiver, relinquishment, transfer or assignment of any lien, and/or the value of any deposit, claim, or rights through which consideration is given whereby Owner shall receive compensation or a credit for payment; plus

(e) in the case of an Acquisition Transaction, "Gross Proceeds" shall be the value of the consideration to be received by Owner, its creditors or its stockholders.

3. Except as provided in paragraph II.C.1.(b), the computation of Gross Proceeds as well as the computation of fees hereunder shall not be affected by the costs of advertising, Owners' legal fees, break-up fees, Vornado's expenses nor any closing costs and/or adjustments, including but not limited to adjustments and/or payments of whatever kind to landlords, lienholders, secured parties, mortgages or offerors.

D. Expenses and Disbursements:

1. Vornado will not be responsible for any legal expenses incurred by Owner in connection with its retention of Vornado, the disposition of the Assets and the preparation of legal motions and documents, including but not limited to the costs of preparing contracts and assignments as well as the costs of attending hearings and closing, among other things.

2. All advertising, marketing, and other third party expenses shall be borne by Owner. Vornado will prepare a marketing budget and, upon the retention of Vornado and the approval of the budget by Owner, Owner agrees to pay all such costs and expenses to Vornado immediately upon the proper presentation of invoices. Vornado shall be under no obligation to incur such expenses until such time as Vornado receives funds from Owner.

3. In the event Owner fails or is unable to pay the expenses as above described or such additional expenses as Owner may approve, and Vornado shall have given Owner prior written notice of its intention to resign and the reason therefor and Owner shall not have cured such failure within fifteen (15) days after receipt of such notice by Owner, Vornado shall have the right to so resign, individually, and pursue any claims that Vornado might have.

E. Survival:

1. In the event Owner and any third party should enter into an agreement providing for the sale, assignment, lease or other disposition of an Asset, or providing for an Acquisition Transaction, before the expiration of this Retention Agreement, and the closing does not occur until after such expiration, then Vornado shall be entitled to a fee in accordance with the terms of this Retention Agreement. If Owner, after the expiration of this Retention Agreement, arranges for the sale, assignment, lease or other disposition of an Asset, or arranges for an Acquisition Transaction of an Asset to a third party where Vornado substantially contributed to the consummation of such sale, assignment, lease or other disposition of an Asset or Acquisition Transaction during the term of this Retention Agreement, or with whom Owner signed a letter of intent for such transaction during the term of this Retention Agreement and, in any such event, the contract signing or closing takes place within six (6) months after such expiration, then Vornado shall be entitled to a fee in accordance with the terms of this Retention Agreement. Within thirty (30) days after the termination or expiration of this Retention Agreement, Vornado will furnish Owner with a list of the parties with whom a transaction with respect to the Assets would, in Vornado's view, give rise to a claim for a fee by Vornado under this paragraph. The

receipt of such a list by Owner shall not be construed as consent by Owner to the names contained thereon.

2. Vornado's rights to fees from the future potential exercise by a tenant of option(s) or right(s) of first refusal, to renew, to extend the lease, and/or to occupy additional space, shall survive this Retention Agreement.

F. Owner Responsibilities: Owner shall inform Vornado in writing immediately after Owner shall become aware, after the execution and delivery of this Retention Agreement, of any known or suspected risk of environmental hazard or contamination or of the receipt by Owner of a citation for the violation of any federal, state or local environmental law or regulation. Owner shall have the continuing obligation to advise Vornado in writing as soon as it becomes aware of any inaccuracy, inconsistency, incompleteness or change of circumstances and to correct any environmental report with respect to the Assets. Owner will use its best efforts to deliver to Vornado all environmental reports in its possession. Additionally, Owner will provide, promptly upon receipt thereof, a copy of any environmental reports prepared after the date hereof to Vornado and will authorize Vornado to disseminate such report to prospects. Vornado shall be the only entity entitled to rely on the covenants contained in this paragraph. Any damages for a breach or violation of the covenants contained in this paragraph shall be limited to Vornado's out-of-pocket expenses incurred in reliance on the covenants contained in this paragraph less any fees earned from the transaction related to the expenditure of such expenses.

G. General Provisions:

1. Vornado hereby indemnifies Owner for all costs, expenses, damages, losses, obligations and liabilities that may arise from the claim by a third party with whom Vornado dealt in connection with the disposition of any Asset that such third party is entitled to a fee, broker's commission or any other payment arising from the disposition of such Asset. The indemnity provided for in this paragraph shall be limited to the fees earned by Vornado from the disposition of the Asset or Assets giving rise to the claim.

2. The parties hereto, on behalf of themselves and their respective officers, directors, agents and employees, agree to deal with each other fairly and in good faith so as to allow each party to perform its services and obligations and to receive the anticipated benefits of this Retention Agreement. No party shall interfere, prevent or prohibit another party from carrying out its duties and obligations under this Retention Agreement.

3. By executing or otherwise accepting this Retention Agreement, the parties hereto each acknowledge and represent that they are represented by and have consulted with legal counsel with respect to the terms and conditions contained herein.

4. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS RETENTION AGREEMENT.

5. This Retention Agreement may be executed in original counterparts.

6. This Retention Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

AGREED AND ACCEPTED
this 3 day of July , 2002

VORNADO REALTY L.P.

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President

AGREED AND ACCEPTED
this 3 day of July, 2002.

731 RESIDENTIAL LLC

By: 731 Residential Holding LLC

By: Alexander's, Inc.

By: /s/ Brian Kurtz

Name: Brian Kurtz
Title: Assistant Secretary

731 COMMERCIAL LLC

By: 731 Commercial Holding LLC

By: Alexander's, Inc.

By: /s/ Brian Kurtz

Name: Brian Kurtz
Title: Assistant Secretary

SCHEDULE A

Schedule of Assets
Real Estate Retention Agreement

1. 59th Street, New York City

SCHEDULE B

1. Agreement of Lease, dated as of April 30, 2002, between Seven Thirty One Limited Partnership, as landlord ("Landlord"), and Bloomberg L.P., as tenant ("Tenant"), as amended by (i) a letter agreement, dated December 20, 2001, between Landlord and Tenant, (ii) a letter agreement, dated January 30, 2002, between Landlord and Tenant, (iii) the First Amendment of Lease, dated as of April 19, 2002, between Landlord and Tenant and (iv) a letter agreement, dated as of June __, 2002, between Landlord and Tenant with respect to a portion of the commercial parcel at 731 Lexington Avenue, New York, New York.

2. Agreement of Lease, dated as of August 6, 1999, between Seven Thirty One Limited Partnership, as landlord ("Landlord"), and H&M Hennes & Mauritz Inc., as tenant ("H&M Inc."), as amended by the First Amendment of Lease, dated as of August 23, 2001, between Landlord and H&M Hennes & Mauritz L.P. ("Tenant") as successor in interest to H&M Inc. with respect to a portion of the commercial parcel at 731 Lexington Avenue, New York, New York.

AMENDED AND RESTATED
MANAGEMENT AND DEVELOPMENT AGREEMENT

THIS AMENDED AND RESTATED MANAGEMENT AND DEVELOPMENT AGREEMENT, dated as of the 3 day of July, 2002 (the "Management Agreement"), between ALEXANDER'S, INC., a Delaware corporation, on behalf of itself and each of the subsidiaries listed in Exhibit B attached hereto, (collectively, "Owner"), each having an address at c/o Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019, and VORNADO MANAGEMENT CORP., a New Jersey corporation, as successor-in-interest to Vornado Realty Trust, having an office c/o Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019 ("Manager").

WHEREAS, Owner and Manager's predecessor-in-interest entered into that certain Management and Development Agreement dated February 6, 1995 (the "1995 Agreement").

WHEREAS, pursuant to an Amendment dated November 1, 1998, the initial basic management fees of \$3,000,000 were revised to include a percentage payment with respect to the Kings Plaza Shopping Center (the "Kings Plaza Fee Amendment");

WHEREAS, pursuant to an Amendment dated May 12, 1999 (the "Rego I Severance Amendment"), the basic management fees were reduced by \$300,000 per annum to \$2,700,000 per annum, and Manager entered into that certain Rego Park I Management Agreement with Alexander's Rego Shopping Center, Inc. dated as of May 12, 1999, providing for \$300,000 per annum in fees;

WHEREAS, pursuant to an Amendment dated May 31, 2002 (the "Kings Plaza Severance Amendment"), the basic management fees were reduced by \$300,000 per annum to \$2,400,000 per annum and the percentage payments with respect to the Kings Plaza Shopping Center were eliminated from the Agreement and Manager entered into that certain Kings Plaza Management Agreement, dated as of May 31, 2002, with Alexander's Kings Plaza, LLC and Alexander's of Kings, LLC, providing for \$300,000 per annum in fees and for the same percentage payments with respect to the Kings Plaza Shopping Center (the 1995 Agreement, as amended by the Kings Plaza Fee Amendment, the Rego I Severance Amendment, and Kings Plaza Severance Amendment, and as otherwise heretofore amended, the "Original Management Agreement");

WHEREAS, the responsibilities of Manager with respect to the 59th Street Property are being undertaken pursuant to the 59th Street Management and Development Agreement dated the date hereof between 731 Residential LLC and 731 Commercial LLC, as owner, and Manager, as manager (the "59th Street Development Agreement") and in connection therewith the Manager will be paid a management fee of \$120,000, and as a result thereof basic management fee under the Original Management Agreement being reduced by \$120,000 to \$2,280,000;

WHEREAS, Owner and Manager desire to amend and restate the Original Management Agreement in its entirety as of the date hereof:

IN CONSIDERATION of the mutual promises and covenants herein contained, Owner and Manager agree that effective from and after the date hereof, the Original Management Agreement is hereby amended and restated in its entirety as follows:

ARTICLE I. Appointment of Manager. A. Owner hereby appoints Manager, on the conditions and for the term hereinafter provided, to act for it in the management and direction of all of its business affairs, including, without limitation, the operation, maintenance and management of the properties identified on Exhibit A attached hereto and made a part hereof (each such property being hereafter referred to individually as a "Property", and all such properties being hereafter referred to collectively as the "Properties"), which management duties are more particularly described in Article IV, and the design, planning, construction and development of the Properties, which development duties are more particularly described in Article V. Manager hereby accepts said appointment to the extent and subject to the conditions set forth below.

B. It is understood and agreed that in the event that one or more of the Properties is sold or otherwise disposed of, Exhibit A shall be deemed amended accordingly and this Agreement shall, from and after the date of any such sale or disposition, cease to apply as to any such Property and shall continue to apply to such remaining Properties as Owner continues to own.

C. Owner and Manager hereby acknowledge that affiliates of Owner and Manager have heretofore entered into that certain Real Estate Retention Agreement, dated as of July 20, 1992 (the "Retention Agreement"), whereby Vornado Realty L.P., as successor in interest to Vornado, Inc. has agreed to act as leasing agent with respect to the Properties.

ARTICLE II. Term. A. The term of this Agreement shall commence on the Effective Date (as hereinafter defined) and shall continue until midnight on the date immediately following the first anniversary of the date hereof (the "Initial Expiration Date"), subject to paragraph C of Article III, unless this Agreement shall be terminated and the obligations of the parties hereunder shall sooner cease and terminate, as hereinafter provided; provided, however, that the term of this Management Agreement shall automatically extend for consecutive one-year periods following the Initial Expiration Date unless Manager or Board (as hereinafter defined) provides the other with written notice, at least six months prior to the beginning of any such additional one-year period, of its election to terminate this Management Agreement. The amount of the Management and Development Fee (as hereinafter defined) shall be subject to review by the parties at the end of the initial term and at the end of each one-year term thereafter.

B. The term "Board" shall mean (i) the Board of Directors of Alexander's, Inc.; or (ii) a committee or officer designated by such Board of Directors to act on behalf of Manager in connection with the administration of this Agreement. The term "Independent Directors" shall mean the independent directors of the Board of Directors of Alexander's, Inc. or their designee.

ARTICLE III. Management and Development Fee.

A. 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 Two Hundred Eighty Thousand Dollars (\$2,280,000) per annum, payable in equal monthly installments, in arrears, in the amount of \$190,000 each on the tenth day of each calendar month beginning with the first calendar month after the Effective Date. All sums payable to Manager hereunder shall be in addition to the amounts payable to Manager under the Retention Agreement. In the event that this Agreement shall commence on a date other than the first day of a calendar month, or shall terminate on a date other than the last day of a calendar month the installment of the Management and Development Fee (as hereinafter defined) payable for that month shall be prorated for the actual number of days that this Agreement is effective in that calendar month. Notwithstanding anything contained herein, in the event that the scope of the business of Alexander's, Inc. shall expand beyond that which is contemplated on the date hereof, Owner and Manager hereby agree that the Management Fee shall be equitably adjusted upward to reflect the increase in services rendered. In the event that Independent Directors and Manager are unable to agree on the amount of the upward adjustment as provided in this paragraph, then the parties hereto hereby agree that the dispute shall be submitted promptly by them to the American Arbitration Association for the City of New York for determination in accordance with its rules, and such determination shall be binding upon both parties.

B. Owner shall pay Manager, as Manager's compensation for the services rendered hereunder in connection with the development of the Development Properties, a development fee (the "Development Fee") (the Development Fee and the Management Fee are sometimes referred to herein, collectively, as the "Management and Development Fee") equal to (i) five percent (5%) of the total Development Costs (as hereinafter defined), allocated with respect to each Development Property based on the Development Costs for that Development Property, plus (ii) general overhead and administrative expenses equal to one percent (1%) of the total Development Costs, allocated with respect to each Development Property based on the Development Costs for that Development Property.

As used herein, the following terms shall have the following meanings:

"Development Budget" shall mean, collectively, the capital budgets and development schedules setting forth the Development Costs to be incurred in connection with the Development Properties, as prepared by Manager and approved by the Board and as more particularly described in Article V hereof.

"Development Costs" shall mean the costs incurred by Owner in accordance with the Development Budget in connection with the planning, design and construction, and development or redevelopment of the Development Properties, including, without limitation, fees of any construction manager, general contractor or any other third-party professionals unaffiliated with Manager and costs set forth in the Development Budget that may be reimbursed by tenants at the Development Properties for improvements outside the leased premises of those tenants. Notwithstanding the foregoing, in no event shall Development Costs include costs paid for or reimbursed by the tenants for improvements inside the leased premises of those tenants,

the Development Fee, costs of the land and, with respect to loans made to Owner, interest, commitment fees and points.

"Development Properties" shall mean the Properties identified in Exhibit A as the Rego Park II Property, the Rego Park III Property and the Paramus Property.

"Substantial Completion" shall mean, with respect to each Development Property, the date on which (a) all punch list items and landscaping at that Development Property have been completed, (b) the planning, design, construction and development of that Development Property have been completed, as certified by the owner's architect, in accordance with the plans and specifications therefor approved by the Board, (c) all necessary occupancy and other permits have been obtained with respect to the work completed at that Development Property for which Manager has any obligation hereunder and (d) if leases are then in effect at that Development Property, the portions of the Development Property demised under the leases have been delivered for possession to the tenants thereunder in accordance with the terms thereof, the tenants have otherwise taken possession of the demised premises, or, if tenants cannot take possession due to Owner's obligation to perform tenant improvement work, tenant improvement work has commenced thereunder.

C. Notwithstanding the provisions of Article II, in the event that Substantial Completion of all of the Development Properties shall not have occurred prior to the Initial Expiration Date, Manager shall have the option to cause the term of this Agreement, as it applies to the development of the Development Properties, to be extended as to any or all of the Development Properties as to which construction has commenced or is scheduled to commence no later than the first anniversary of the Initial Expiration Date but as to which Substantial Completion has not occurred. Such option may be exercised by sending notice to owner of Manager's intention to so extend, and listing the Development Properties as to which the term of this Agreement shall be extended, not less than thirty (30) days prior to the Initial Expiration Date, in which event the rights and obligations of the parties hereto under this Agreement relating to the development of the Development Properties, as provided in Article V, shall be automatically extended with respect to the Development Properties listed in such notice, until the date on which Substantial Completion of all of such Development Properties shall have occurred. In the event that the term is so extended pursuant to this paragraph, no further fee shall be due to Manager following the Initial Expiration Date until Substantial Completion of each respective Development Property. Upon Substantial Completion of a Development Property, Owner shall pay to Manager the Development Fee for such Development Property. Notwithstanding the foregoing, in no event shall the rights and obligations of the parties hereto under this Agreement relating to the management of owner's business be deemed to be extended beyond the Initial Expiration Date except in accordance with Article II hereof.

D. In the event that (i) Owner shall dispose of any or all of the Development Properties or (ii) shall not proceed for any reason with the development of any or all of the Development Properties, then Manager shall use diligent efforts to reduce or eliminate all allocable costs and expenses, both direct or indirect, that would otherwise be incurred by Manager in the performance of its obligations hereunder. In all cases, however, Manager shall be compensated for services rendered and reimbursed for costs and expenses incurred to such date including, without limitation, salaries and other compensation for employees of Manager.

Manager shall also be compensated for costs and expenses of employees and other such items that will continue to be incurred to the extent such costs and expenses are not avoidable or cannot be mitigated by Manager using its diligent efforts.

E. Manager shall receive no commissions, fees or other compensation (other than the Management and Development Fee) in connection with any leasing or sale of all or any part of any of the Properties or the procuring of any financing or refinancing with respect thereto; provided, however, that nothing contained herein shall in any way restrict the commissions, fees and other compensation otherwise payable to Manager or any affiliate of Manager by owner or its affiliates pursuant to the Retention Agreement.

F. In the event that Manager desires to provide services not required to be performed hereunder ("Additional Services") for the benefit of a tenant of any Property, Manager shall notify Owner in advance of its intention to provide Additional Services to a tenant or tenants where those services are substantial in nature. The Independent Directors shall have the right to prohibit manager from undertaking such services, if, in its judgment, the performance by Manager of the Additional Services would adversely affect the professional relationship and duties of Manager created by this Agreement.

ARTICLE IV. Management Services. A. Manager agrees to operate and manage the day-to-day business of Owner and to perform all of the executive functions of Owner other than those performed by the Board, the Independent Directors, and any officers of owner (including, without limitation, the Chief Executive Officer of owner) designated by the Board, including, without limitation, the operation and management of the Properties and to perform, or cause to be performed by outside contractors and under Manager's supervision, the following functions on behalf of Owner in an efficient and diligent manner using the same standard of care, including bidding and selection processes, segregation of funds, internal controls and internal auditing, used by Vornado Realty Trust in connection-with its business and in connection with properties owned and managed by Vornado Realty Trust:

1. Preparing, or causing to be prepared at Owner's expense, and filing all income, franchise and other tax returns required to be filed by Owner.
2. Keeping true and complete books of account in which shall be entered fully and accurately each transaction of Owner's business. The books shall be kept in accordance with the accrual method of accounting, and shall reflect all transactions of Owner's business.
3. Preparing an annual report within ninety (90) days after the end of each fiscal year of Owner, including an annual balance sheet, profit and loss statement and a statement of changes in financial position.
4. Preparing a quarterly financial report of Owner, within forty-five (45) days after the end of each fiscal quarter of Owner.
5. Preparing or causing to be prepared at Owner's expense, any reports or filings required by the New York Stock Exchange or the Securities and Exchange Commission.

6. Except as otherwise provided hereunder, procuring, at Owner's expense and at the direction of the Board or the Owner's insurance brokers or insurance advisors, any insurance required or desirable in connection with Owner's business or the employees required to operate Owner's business and errors and omissions insurance for Manager, under which Owner shall be the sole beneficiary. Manager shall not settle any claim for a settlement amount in excess of \$100,000 without the approval of the Board.

7. Providing all general bookkeeping and accounting services required by the provisions of this Agreement at the expense of Manager. Any independent certified public accountant engaged by Manager shall be subject to the approval of the Board and all fees and expenses payable to such accountant shall be at owner's expense. Manager shall maintain separate books and records in connection with its management of the Properties and Owner, which books and records shall be kept in accordance with generally accepted accounting principles. Owner shall have the right to examine or audit the books and records at reasonable times and Manager will cooperate with owner in connection with any such audit.

8. Investing funds not otherwise required to pay the costs of day-to-day maintenance and operation of the Properties or in the operation of owner's business pursuant to guidelines set by the Board.

9. Repairing, making replacements and maintaining the Properties and all common areas at the Properties and purchasing all materials and supplies that Manager deems necessary to repair and operate and maintain the Properties, in order that each Property shall remain in good, sound and clean condition, and making such improvements, construction, changes and additions to the Properties (including capital improvements), as Manager deems advisable, provided that Manager shall receive approval of the Board prior to undertaking any improvements, construction, changes or additions to the Properties. Owner shall pay all fees, costs and expenses incurred by Manager in connection with the retention of outside contractors and suppliers for the performance of all repairs, replacements and maintenance of the Properties. In the event that Owner decides to remodel or extensively refurbish any Property, or any part thereof, Manager shall be entitled to receive additional compensation for services required to be rendered by it for services such as supervision of construction and allocation of overhead expense (i) to the extent that tenants at that Property reimburse Owner for such costs and (ii) if such costs are not reimbursable by the tenants and such remodeling or refurbishment shall be on a significant scale and shall require significant work by the Manager, the amount of such additional compensation payable to Manager shall be equal to Manager's costs in connection with such work, plus twenty percent (20%) of Manager's costs.

10. Negotiating and executing contracts for the furnishing to the Properties of all services and utilities, including electricity, gas, water, steam, telephone, cleaning, security, vermin extermination, elevator, escalator and boiler

maintenance and any other utilities or services, including repairs and maintenance of the buildings, other improvements and common areas at the Properties, or such of them as Manager deems advisable to assure that the Properties shall be caused to be and remain in a good, sound and clean condition and properly operating. All fees, costs and expenses under the contracts shall be paid by Owner.

11. Subject to the terms of any loan or credit agreement entered into by Owner with a lender and affecting any of the Properties, demanding, receiving and collecting all rents, income and other revenues, which Manager shall deposit in a bank account or accounts of Owner maintained by Manager (with any interest thereon for the account of Owner) for the deposit of monies in regard to the Properties; disbursing, deducting and paying from such rents, income and revenues, such amounts required to be disbursed or paid in connection with the repair, maintenance and operation of the Properties and in the carrying out of Manager's duties. In the event that Manager shall determine that funds in the accounts are insufficient to make necessary disbursements or payments, Manager shall notify Owner promptly of the amount of such insufficiency. Promptly after (i) Owner receives such notice, or (ii) Owner independently determines that such funds are insufficient, owner shall determine and notify Manager as to the order of priority in which disbursements and payments shall be made. Disbursements or payments shall include, but not be limited to, the following items:

a. all assessments and charges of every kind imposed by any governmental authority having jurisdiction (including real estate taxes, assessments, sewer rents and/or water charges) and interest and penalties thereon; provided, however, that the interest or penalty payments shall be reimbursed by Manager to Owner if imposed by reason of delay in payment caused by Manager's gross negligence, willful misconduct, bad faith or material misapplication of funds (to the extent such material misapplication of funds is not covered by insurance) (collectively "Malfeasance");

b. debt service on any loans secured by any of the Properties;

c. license fees, permit fees, insurance appraisal fees, fines, penalties, legal fees, accounting fees incurred in the auditing of tenants' books and records to establish and collect overage or percentage rents, and all similar fees reasonably incurred in connection with the ownership, management or operation of the Properties, provided, however, that any fines or penalties shall be reimbursed to Owner by Manager if imposed by reason of delay in payment caused by Manager's Malfeasance;

d. premiums on all policies of insurance;

e. salaries, wages and other related expenses, bonuses and fringe benefits for on-site personnel, service contracts, utilities, repairs,

replacements, on-site administration expenses and Manager's compensation;

f. the Management and Development Fee and any other sums payable hereunder to Manager;

g. contributions to merchants associations, if and as required by any outstanding agreements; and advertisement and public relations costs for promotional activities; and

h. any and all other expenses or costs that are customarily disbursed by managing agents of properties comparable to the Properties or that are required in order for Manager to perform its duties.

In no event shall Manager be required to pay any bills or charges from its own funds, except as otherwise specifically provided herein.

12. Engaging, at the expense of Owner, any outside collection agency Manager deems appropriate for the collection of rent or other revenues or instituting, in Manager's name (but only if Manager so elects) or in the name of Owner, but in any event at the expense of Owner, any and all legal actions or proceedings to collect rent or other income from the Properties or to oust or dispossess tenants or other persons therefrom, or canceling or terminating any lease or the breach thereof or default thereunder by the tenant, and holding all security deposits posted by tenants and occupants and applying the same against defaults by the tenant or occupant. Manager shall hold all security deposits in a separate account if required by law or if requested by Owner. Manager shall not terminate any lease or evict the tenant thereunder without the prior approval of the Board.

13. Rendering such statements at such times and in such formats as Owner shall reasonably request and as shall be customary for properties comparable to the Properties, including, without limitation, monthly cash flows, quarterly reports and operating statements and annual budgets as provided below.

14. Maintaining, at Manager's expense, insurance with reasonable deductibles, if any, for any and all claims or causes of action arising from bodily injury, disease or death of any of Manager's employees, agents, or representatives and for any and all claims or causes of action arising from Manager's negligence, infidelity or wrongful acts in connection with the performance of this Agreement, as well as employer's liability and worker's compensation for Manager's employees and fidelity bonds for employees of Manager that handle funds and proceeds from the Properties, in each case, at customary levels of coverage.

15. Causing, at Owner's expense, all such acts and things to be done in or about the Properties as shall be necessary to comply with all statutes, ordinances, laws, rules, regulations, orders and determinations, ordinary or

extraordinary, foreseen or unforeseen of every kind or nature affecting or issued in connection with the Properties by any governmental authority having jurisdiction thereof, as well as with all such orders and requirements of the Board of Fire Underwriters, Fire Insurance Exchange, or any other body that may hereafter exercise similar functions (collectively, "Applicable Laws"). In the event that Manager's good faith estimate of the cost of complying with any Applicable Laws shall exceed \$100,000 in connection with any one Property or in the aggregate, Manager shall not take any action to comply with Applicable Laws without first obtaining the consent of the Board. Notwithstanding the foregoing, however, Owner shall have no obligation to pay for the expenses incurred in connection with compliance with Applicable Laws to the extent such costs are incurred due to Manager's Malfeasance or material breach of this Agreement. Manager shall have the right to contest such Applicable Laws, and pending the final determination of the contest, Manager may withhold compliance, provided that Manager shall receive the Board's prior consent to so withhold compliance. Manager agrees to contest any Applicable Law the Board shall request Manager to contest.

16. Filing applications, in manager's name (but only if Manager so elects) or in the name of Owner, but in any event at Owner's expense, for the reduction of real estate tax assessments and/or water charges and sewer rents, and/or for the cancellation or reduction of any other taxes, assessments, duties, imposts or other obligations of any nature imposed by law; and instituting any and all legal actions or proceedings in connection therewith; filing, settling, trying or appealing of all such applications and/or proceedings, upon such terms and conditions as Manager deems appropriate, provided, however, that Manager shall receive the consent of the Board prior to the institution or settling of any legal action or proceeding.

17. Taking, at Owner's expense and with the prior consent of the Board, any appropriate steps to protest and/or litigate to final decision in any appropriate court or forum any violation, order, rule or regulation affecting any Property.

18. Engaging, at Owner's expense, counsel, approved by the Board, and paying counsel fees and court costs and disbursements in connection with any proceedings involving any Property.

19. Assisting Owner in obtaining financing for the Properties and causing Owner to comply, or complying on behalf of Owner, at Owner's expense, with all terms, conditions and obligations of any lease, mortgage, credit agreement, reimbursement agreement, development agreement, construction agreement, or any other agreement that shall relate to any matters in connection with the rental, operation or management of each Property, unless prevented or delayed by strikes, riot, civil commotion, war, inability to obtain materials because of governmental restrictions or acts of God or public enemy, or any other cause beyond Manager's control.

20. Performing administrative services required in connection with managing the Properties, including, without limitation, the following:

a. administration of tenants' insurance and enforcement of continuing coverage in accordance with the terms of the leases.

b. confirmation of lease commencement dates and termination dates.

c. liaison with the tenants as Owner's representative.

d. supervision of tenant litigation in conjunction with owner's legal counsel.

e. obtaining sales volume reports from tenants and calculating and collecting percentage rents as a result of those reports.

f. providing necessary information to Owner for tax reporting, in a format reasonably approved by Owner and upon Owner's request, initiating together with Owner's counsel, property tax appeals.

g. providing quarterly financial statements, in a format reasonably approved by Owner, reflecting in reasonable detail the operating income and expense of the Properties.

h. alerting owner if tenant sales volume reports appear inaccurate and recommend audits.

i. reporting and making recommendations regarding unusual tenant problems requiring Owner's approval.

j. obtaining contractors to maintain, operate and provide security for the Properties.

k. coordinating with Vornado Realty Trust and all other consultants retained by owner in connection with the Properties.

21. Preventing the use of the Properties for any purpose that would void any insurance policy covering any of the Properties or that would render any loss thereunder uncollectible, or that would be in violation of any governmental restriction, any tenant lease or any reciprocal easement agreement.

22. Providing all other services customarily provided by Vornado Realty Trust in connection with properties owned and managed by Vornado Realty Trust.

B. Owner shall be responsible for, and shall indemnify Manager against, all costs incurred in connection with the operation of owner's business, except to the extent such

costs are incurred in connection with Manager's Malfeasance or material breach of this Agreement, and all past, present and future liabilities of owner, including, without limitation:

1. all outside professional fees, including attorneys, accountants and architects;
2. all filing, registration and other fees payable to the New York Stock Exchange, the Securities and Exchange Commission and state securities agencies;
3. taxes;
4. insurance (other than workers' compensation insurance for Manager's employees and as otherwise provided herein), including retiree health liability insurance and directors' and officers' liability insurance;
5. fees and expenses applicable to the Board of Directors of Owner;
6. costs that are at the discretion of Owner, for services not included in this Agreement, including, without limitation, rent and other expenses for Owner's offices, salaries and other related expenses of employees performing services for Owner (other than employees of Manager); and
7. all costs and expenses incurred by Manager in connection with the transition to Manager of the management activities contemplated by this Agreement.

ARTICLE V. Development. Manager agrees to design and plan the development of the Development Properties and to manage the construction and development of the Development Properties and to perform, or cause to be performed by outside contractors, the following functions on behalf of Owner in an efficient and diligent manner using the same standard of care, including bidding and selection processes, used by Vornado Realty Trust in connection with properties owned and managed by Vornado Realty Trust, and on a Property by Property basis:

1. Obtaining or assisting owner in obtaining, on behalf of Owner and at Owner's expense, all required building permits and other governmental approvals and consents, along with any zoning variances or other zoning approval, necessary to initiate the development of any Development Property.
2. Retaining, at Owner's expense, all architects, engineers, contractors, construction managers and consultants (collectively "Consultants") necessary or desirable in completing the design and planning of the development of any Development Property and negotiating, on behalf of Owner, any contracts with Consultants.
3. Monitoring and coordinating the activities of the Consultants retained for the planning and design of the Development Properties.

4. Assisting and cooperating with Owner in all aspects of arranging or acquiring any construction or other financing required for the Development Properties, including, without limitation, meeting with and furnishing information to prospective lenders.

5. Preparing and filing, or causing the preparation and filing at the expense of Owner of, all returns (other than income, franchise and other similar returns), statements, declarations and filings that may from time to time be required of Owner in connection with the planning, design and development of any Development Property by any municipal, state, federal or other governmental or statutory authority having jurisdiction over the development of any Development Property.

6. Preparing an initial budget as soon as practicable, but in any event prior to the commencement of any construction at any of the Development Properties (including, without limitation, an estimate of the timing of the incurrence of expenditures contained in the budget) for such Development Property and make any revisions or adjustments necessary to acquire approval of the Board for such budget, the approved budget for any of the Properties being herein called the "Development Budget". Manager shall recommend any revision to the Development Budget that Manager from time to time may deem appropriate, or as the Board may reasonably request, in each case to be approved by the Board, provided, however, that Manager's obligation to seek Board approval of change orders shall be limited to change orders exceeding, in the aggregate, ten percent (10%) of the applicable line item in the initial Development Budget. The approval by the Board of the Development Budget and any revisions thereto shall also constitute authorization by the Board of the expenditures and commitments provided for therein and, subject to the other provisions of this Agreement, Manager then shall be entitled to act for owner in incurring the expenditures and making commitments to the extent provided for in the approved initial or revised Development Budget, as applicable.

7. Recommending, for the Board's approval, such Consultants as may be necessary or desirable for the development of any Development Property and negotiating on behalf of Owner any contracts and agreements as are necessary or desirable in connection with the development of any Development Property with such Consultants approved by the Board and supervising the performance by such Consultants thereunder, including, without limitation, the supervision and processing of change requests and change orders.

8. Monitoring and coordinating the activities of the Consultants and, where appropriate, assisting Owner in performing Owner's obligations under the contracts with Consultants.

9. Supervising the collection and review of all documentation required to be submitted to any construction lender or other lender in connection with the

development of any Development Property and supervising all disbursements made pursuant to any financing.

10. Supervising the ordering and installation of equipment or other supplies necessary for the development of any Development Property;

11. Preparing (i) quarterly progress reports regarding the development of the Development Properties, detailing any deviations from the Development Budget and providing explanations for such deviations, (ii) all reports required under loan agreements affecting Owner and (iii) promptly after the completion of the development of any Development Property, preparing a report of actual Development Costs incurred in connection with the development of that Development Property, separately identifying as estimated items those, if any, that cannot be finally determined at the time of the final report.

12. Providing regular and continuing accounting services, on the basis of standard accounting practices for similar projects consistently applied, of all costs and expenses incurred by Owner in connection with the development of the Development Properties, and the receipt and use of borrowed funds or funds otherwise made available.

13. Attending meetings as reasonably required or requested by the Board.

14. Assisting Owner in obtaining and maintaining in full force and effect at all times during the term of construction at any of the Properties all-risk builder's risk insurance (including coverage against collapse and fire) written on a progress basis and including commercial public liability insurance with incidental contract coverage, with such insurers, in such amounts and under such policies as may be reasonably satisfactory to the Board and the expense of maintaining such insurance shall be an expense of, chargeable to, or paid by owner.

15. Generally performing such other acts and things as may be reasonably required for coordinating, monitoring, administering and supervising the full and complete planning, design construction and development of the Development Properties.

ARTICLE VI. Annual Budget. A. On or before the beginning of each fiscal year of Alexander's Inc., Manager shall prepare and submit to Owner a proposed budget (hereinafter referred to as the "Proposed Budget") of the estimated operating and capital expenses of the Properties for the next fiscal year or such other operating period as may be agreed to by the parties.

B. The Board shall have the right to approve or disapprove the Proposed Budget. The final budget for the fiscal year is referred to as the "Approved Budget" in this Agreement. The Approved Budget shall be subject to quarterly comparisons and revisions, which revisions the Manager and the Board mutually shall agree to be appropriate, all such

revisions as approved by the Board shall be considered part of the "Approved Budget". Manager shall make expenditures without the specific approval of the Board if

1. The expenditure (or group of related expenditures) has been generally identified in an Approved Budget line item and exceeds the amount shown in respect thereof in such budget line item by no more than ten percent (10%).

2. The expenditure (or group of expenditures) has not been generally identified in the Approved Budget but does not exceed \$100,000.

3. The expenditure (or group of related expenditures) exceeds \$100,000 and was either not anticipated or exceeded the Approved Budget by more than ten percent, but is not discretionary.

4. The expenditure is required by a condition or situation that in Manager's professional judgment constitutes an emergency. In any case where an emergency situation exists that is of serious financial or physical consequence, Manager may act in the best interest of Owner but Manager shall attempt to notify Owner prior to making the expenditure, but in any event, Manager shall report verbally the making of the expenditure to owner no later than 24 hours after the occurrence of the emergency.

ARTICLE VII. Chief Executive Officer. Manager shall cause Steven Roth, Chairman of the Board and Chief Executive Officer of Manager, to serve as Chief Executive Officer of Alexander's, Inc., Michael Fascitelli to serve as President of Alexander's, Inc. and Joseph Macnow to serve as Executive Vice President of Alexander's Inc., each at no additional compensation, and to provide all services normally associated with such position, to the extent not inconsistent with his position with Manager. Owner recognizes that Steven Roth, Michael Fascitelli and Joseph Macnow each has or may have other business interests, activities and investments, including, without limitation, interests in connection with his interest in Manager and Manager's affiliates, some of which may be in conflict or competition with the business of owner and that he is entitled to carry on such other business, activities, and interests and shall have no duty or obligations to offer to Owner any interest in such business interests, activities and interests, including, without limitation, any potential property acquisition, whether or not competitive with the business interests of Owner. Manager agrees to cause Steven Roth, Michael Fascitelli and Joseph Macnow each to excuse himself from any activities of Owner that are related to the enforcement of this Agreement.

ARTICLE VIII. Owner to Execute Documents; Reserved Rights. Owner covenants and agrees that wherever in this Agreement it is provided that Manager may take any action in the name of or on Owner's behalf, Owner will promptly execute any documents that may be required by Manager for the purposes of carrying out any of Manager's functions as same are set forth.

ARTICLE IX. Assignment; Cancellation. A. Neither Owner nor Manager shall assign this Agreement or any of its rights hereunder without the consent of the other party;

provided, however, (i) qualification by Alexander's, Inc. as a REIT (as defined herein) shall not be deemed to constitute an assignment and (ii) that manager shall have the right to assign its rights and delegate its duties under this Agreement to any Specified Vornado Affiliate without the consent of Owner provided that, (a) in connection with any such assignment, Vornado Realty Trust provides to Owner a guarantee, in form and substance reasonably satisfactory to Owner, of the duties and obligations of the Specified Vornado Affiliate under this Agreement and agrees, to the extent necessary, to make available to the Specified Vornado Affiliate the resources of Vornado Realty Trust for the purposes of carrying out such duties and obligations, (b) notwithstanding any such assignment to a Specified Vornado Affiliate, the indemnification of Owner by Manager set forth in Article XII hereof shall remain the obligation of Vornado Realty Trust and (c) references to the standard of care, customarily provided services and reporting standards applicable to Manager in performing its duties under this Management Agreement shall be the same standard of care and reporting standards applicable to Vornado Realty Trust in connection with properties owned by Vornado Realty Trust; and further provided that Owner shall have a right to collaterally assign its rights under this Agreement to one or more lenders providing financing with respect to a Property. For purposes of this Article IX, "Specified Vornado Affiliate" shall mean (i) any wholly-owned subsidiary of Vornado Realty Trust or (ii) any entity at least 95% of the preferred stock of which is owned by Vornado Realty Trust.

B. In the event that there is a change of control of Vornado Realty Trust or Manager after the date of this Agreement, the Independent Directors shall have the right to terminate this Agreement if the Independent Directors shall determine that such change of control is reasonably likely to have a material adverse effect on the ability of Manager to perform its obligations under this Agreement. For purposes of this Article IX, "change of control" shall mean that the aggregate interest of Interstate Properties and its partners in Vornado Realty Trust shall be less than twenty percent of the ownership interests therein.

C. This Agreement shall be non-cancelable, except as permitted by the terms of this Agreement.

ARTICLE X. Breach; Termination. A. If either party shall commit a material breach of this Agreement, the other party shall serve written notice upon the allegedly breaching party, and the notice shall set forth the details of such alleged breach. Owner covenants and agrees that Manager shall not be deemed to have committed a material breach of this Agreement unless Manager wilfully violates any provision hereof, is grossly negligent in the observance or performance of any of its obligations hereunder, acts in bad faith in connection with its duties under this Agreement, or materially misapplies any funds received from the Properties (to the extent not covered by insurance).

B. Owner shall, within thirty (30) days after its receipt of said notice, cure such breach unless it disputes the claim as set forth in Paragraph D of this Article X. If Owner does not cure within such ten-day period, Manager shall have the right, but not the obligation, to cease providing services hereunder until the breach shall be cured. In the event that Manager shall cease providing services hereunder pursuant to this Paragraph, Owner shall have the right to terminate this Agreement and replace Manager in which event Manager promptly shall deliver to Owner all books and records with respect to the Properties and Owner that are in Manager's possession and otherwise comply with paragraph H below, and upon its receipt of any

outstanding payments due to it, shall cooperate with the successor Manager to effect a smooth transition in the management, operation and development of the Properties and the management and operation of owner.

C. Manager shall, within thirty (30) days, after its receipt of a notice under Paragraph A of this Article X, cure such breach unless it disputes the claim as set forth in Paragraph D of this Article X; or if said breach cannot be cured within said thirty (30) day period, Manager shall within said time period commence and thereafter diligently and continuously proceed with all necessary acts to cure such breach, subject to the terms of any loan documents and other material agreements affecting the Properties. If Manager shall fail within said time period to cure the said breach, Owner shall have the right, by sending a second written notice to Manager, to terminate this Agreement effective immediately or as of a particular date which shall be specified in said second notice.

D. If the party who receives the notice of breach shall, within five (5) days after receipt of such notice, send the notifying party a written notice disputing the claim of material breach and demanding arbitration thereof, then the parties hereto hereby agree that the dispute shall be submitted promptly by them to the American Arbitration Association for the City of New York for determination in accordance with its rules, and such determination shall be binding upon both parties. During the pendency of said arbitration, Manager shall continue to perform all of its obligations as Manager under this Agreement. If it is determined that the party did commit a breach, then the breach shall be cured within ten (10) days after service of a copy of the award or determination on the breaching party; and if not so cured, this Agreement shall be terminated.

E. If, at any time during the term of this Agreement there shall be filed against either of the parties hereto in any court, pursuant to any statute either of the United States or any state, a petition in bankruptcy or insolvency or for reorganization of or for the appointment of a receiver or trustee of all or a portion of the property of either party, and such petition is not discharged within thirty (30) days after the filing thereof, or if either party makes an assignment for the benefit of creditors, or petitions for or enters into an arrangement, or permits this Agreement to be taken under any writ of execution or attachment, then in any of such events, the other party hereto shall have the right to terminate this Agreement by giving written notice, by certified mail, effective as of a particular date specified in said notice.

F. Manager and Owner shall each have the further right to terminate this Agreement or any portion or provision thereof or activity thereunder on not less than thirty (30) days' prior written notice to the other party if Manager or Owner shall determine in good faith that this Agreement shall or may deprive Manager or Alexander's, Inc. of any benefits appurtenant to that Party's future qualification as a REIT under all applicable laws, including without limitation, the Internal Revenue Code of 1986, as amended from time to time (the "Code") or continued benefits if that party is a REIT.

G. Upon any termination, partial termination with respect to one or more Properties or as set forth in paragraph C of Article III or expiration of this Agreement, all of the obligations of either party to the other shall terminate immediately except (i) Manager shall comply with the applicable provisions of Subsection H below, (ii) Owner shall pay to Manager

all Management and Development Fees and expenses earned and/or due hereunder to the date of termination or expiration and (iii) as otherwise expressly stated herein. Upon any termination of any portion, provision or activity of or under this Agreement, the provisions of the preceding sentence shall apply in respect of the terminated portion, provision or activity. Owner shall pay Manager any amount owed to Manager under this Agreement within 30 days after any termination of this Agreement.

H. Upon the expiration or earlier termination or partial termination of this Agreement with respect to any or all of the Properties, Manager shall:

1. Deliver to Owner, or such other person or persons designated by owner, all books and records of any Property as to which this Agreement has been terminated and all funds in its possession belonging to Owner or received by Manager pursuant to this Agreement with respect to such Properties, together with all leases and all other contracts related to such Properties; provided, however, that Manager shall have the right to keep a copy of all such records; and

2. Assign, transfer or convey to Owner, or such other person or persons designated by Owner, all service contracts and personal property of Owner relating to or used in the operation or maintenance of any Property as to which this Agreement has been terminated. Upon the expiration or termination, in whole or in part, of this Agreement, Manager shall render a full account to Owner and shall deliver to Owner a statement outlining in detail all management fees due to Manager hereunder with respect to such terminated Property, shall cause the net amount of any funds held by manager in connection with any such Property to be delivered to owner and shall cooperate with Owner in the transition by Owner to a replacement property manager, if applicable.

Owner shall compensate Manager for all costs and expenses incurred by Manager in good faith in connection with the transition of the management of Owner and the management of the Properties from Manager to any new manager.

ARTICLE XI. No Joint Venture. It is the intent of this Agreement to constitute Manager as an independent contractor and as agent of Owner under any contract entered into by Manager on behalf of Owner in accordance with the terms of this Agreement, and this Agreement shall be so construed and Manager agrees at all times to act in conformity therewith. Nothing herein contained shall be deemed to have created, or be construed as having created any joint venture or partnership relationship between Owner and Manager. At all times during the performance of its duties and obligations arising hereunder, Manager shall be acting as an independent contractor.

ARTICLE XII. Indemnity. A. Owner shall, to the fullest extent permitted by applicable law, indemnify, defend and hold harmless Manager, its officers, directors, trustees, partners, agents, employees and representatives against any losses, claims, damages or liabilities to which such person may become subject in connection with any matter arising out of or in connection with this Agreement or owner's business or affairs, except for any loss, claim, damage or liability caused by Manager's Malfeasance. If Manager becomes involved in any

capacity in any action, proceeding or investigation in connection with any matter arising out of or in connection with this Agreement or owner's business or affairs, owner shall reimburse Manager for Manager's legal and other expenses (including the cost of any investigation and preparation) as they are incurred in connection therewith; provided, however, that Manager shall promptly repay to Owner the amount of any such reimbursed expenses paid to it to the extent that it shall ultimately be determined that Manager, its officers, directors, trustees or agents were not entitled to be indemnified by Owner in connection with such action, proceeding or investigation.

B. Vornado Realty Trust shall indemnify, defend and hold harmless Owner and each of their respective officers, directors, trustees, partners, representatives, employees and agents from and against any and all claims, losses, damages or liabilities, to which such person may become subject and arising out of Manager's Malfeasance or the Malfeasance of any of its employees, representatives or agents in performing its or their duties under this Agreement, except to the extent caused by the Malfeasance of owner or any of their respective officers, directors, trustees, shareholders, partners, representatives, employees or agents. If Owner becomes involved in any capacity in any action, proceeding or investigation in connection with any matter arising out of or in connection with this indemnity, Manager shall reimburse Owner for Owner's legal and other expenses (including the cost of any investigation and preparation) as they are incurred in connection therewith; provided, however, that Owner shall promptly repay to Manager the amount of any such reimbursed expenses paid to it to the extent that it shall ultimately be determined that owner, its officers, directors, trustees or agents were not entitled to be indemnified by Manager in connection with such action, proceeding or investigation. Notwithstanding anything contained herein, Manager's liability hereunder shall be limited (except to the extent covered by insurance) to the aggregate amount of the Management and Development Fee received by Manager as of the date such liability is determined.

C. The terms of this Article XII shall survive the expiration or termination of this Agreement.

ARTICLE XIII. Notices. Any and all notices, consents or directives by either party intended for the other shall be in writing sent by hand delivery or reputable overnight courier service to the respective addresses first herein set forth in this Agreement, with copies sent to Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652, Attention: Chief Financial Officer, and Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019, Attention: President, unless either party shall have designated different addresses, by serving written notices of change of addresses on the other party by registered or certified mail, return receipt requested.

ARTICLE XIV. Miscellaneous. A. This Agreement cannot be changed or modified, varied or altered except by an agreement, in writing, executed by each of the parties hereto. This Agreement constitutes all of the understandings and agreements of whatsoever kind or nature existing between the parties in connection with the relationship created herein.

B. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

C. Neither Owner nor Manager shall make (and each hereby waives) any claim against the other party's directors personally or against the other party's trustees, beneficiaries or shareholders personally. Manager shall (and is hereby authorized to) insert in all leases, documents and agreements executed by it on behalf of Owner, a provision that Manager's directors, trustees, beneficiaries or shareholders shall not be personally liable thereunder.

D. Owner shall have the right to collaterally assign this Agreement to a lender providing financing to Owner and Manager agrees to execute and deliver a recognition agreement, in a commercially reasonable form, providing that (a) such lender may assume Owner's interest in this Agreement without obligation for payment of any fees accrued and payable to Manager for a time prior to such assumption or with respect to performance of any obligation relating to a time prior to such assumption, (b) Manager will perform the services set forth herein for so long as such lender continues to perform the obligations of Owner hereunder and (c) any termination hereof by the lender other than in accordance with the terms of this Agreement (as opposed to in accordance with the recognition agreement) shall not relieve Owner of its obligations hereunder. In no event shall an assumption by the lender under such a recognition agreement release Owner from its obligation hereunder with respect to accrued fees or otherwise.

E. Any approval or consent required by or requested of any of Owner, the Board, or the Independent Directors pursuant to the terms of this Agreement may be withheld in the sole and absolute discretion of owner, the Board or the Independent Directors, as applicable, unless otherwise expressly provided.

F. Manager and Owner hereby expressly acknowledge and agree that any third party engaged in accordance with the terms of this Agreement to perform any of the services contemplated hereunder shall be at owner's expense.

G. Owner and Manager acknowledge that nothing contained in this agreement shall restrict or otherwise affect the rights of Vornado Realty Trust or any affiliate thereto in connection with any loan facility provided by Vornado Realty Trust or such affiliate to Alexander's, Inc. and/or its subsidiary.

H. Anything contained in this Agreement to the contrary notwithstanding, Manager's agreement to undertake the obligations set forth in this Agreement shall not constitute or be deemed to constitute an express or implied warranty concerning the general affairs, financial position, stockholders' equity, financial results of operations or prospects of Owner.

ARTICLE XV. Declaration of Trust.

A. Manager shall use every reasonable means to assure that all persons having dealings with Alexander's through Manager shall be informed that no trustee, shareholder, officer or agent of Alexander's, or any subsidiary of Alexander's established for purposes of electing tax treatment as a REIT, shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise in connection with the affairs of Owner, but the trust estate only shall be liable. Manager

recognizes and agrees that every agreement or other written instrument entered into by Manager on behalf of Owner shall contain a provision stating the above limitation.

B. Manager represents, warrants and agrees that neither it nor any affiliated or related person or entity (including any person or entity owning any interest in Manager) is now, or shall become during the term of this Agreement, a borrower of any funds advanced by Alexander's and Manager shall advise Alexander's promptly, in writing, should such representation and warranty become untrue. Manager shall, from time to time, furnish such information as may reasonably be requested by Owner in order to facilitate Alexander's qualification as a REIT under the Code.

ARTICLE XVI. Continued Qualification as a REIT. A. Manager shall make reasonable efforts not to enter into any agreement (including, without being limited to, any agreement for the furnishing of non-customary services), without the consent of Alexander's, with any tenant or other occupant of any Property; that would result in (A) the disqualification of Alexander's as a REIT entitled to the benefits of Section 856 et seq., of the Code, (B) the imposition of any penalty or similar tax on Alexander's (including, without being limited to, the tax imposed on the failure to meet certain income requirements under Section 857(b)(5) of the Code and the tax imposed on income from prohibited transactions under Section 857(b)(6) of the Code) or (C) any part of the rental or other consideration paid thereunder by such tenant or occupant to Alexander's, or to Manager on behalf of Alexander's, being held not to constitute either "rents from real property" or "interest on obligations secured by mortgages on real property or on interests in real property" or "interest on obligations secured by mortgages on real property or on interest in real property" or other income described in Sections 856(c)(2) and (c)(3) of the Code.

B. Alexander's shall make reasonable efforts to assure, by prior review of agreements to be entered into by Manager, that no such agreement contains provisions that would result in the disqualification of Alexander's as a REIT entitled to the benefits of Section 856 et seq. of the Code, receipt by the owner of non-qualifying income, or imposition of a penalty or similar tax (including, without being limited to, the tax imposed on the failure to meet certain income requirements under Section 857(b)(5) of the Code and tax imposed on income from prohibited transactions under Section 857(b)(6) of the Code), and specifically agrees that Manager shall be entitled to rely upon the advice of Alexander's designated counsel as to any such matter; provided, however, that, without regard to whether such review has been performed or advice rendered, if any document or other written undertaking entered into or made by or on behalf of Owner or any constituent entity of Owner shall, in the reasonable opinion of counsel to Alexander's, contain any provision that would result in a significant risk of the disqualification of Alexander's as a REIT, receipt by Alexander's of non-qualifying income, imposition on Alexander's of any penalty or similar tax (including, without being limited to, the tax imposed on the failure to meet certain requirements under Section 857(b)(5) of the Code and the tax imposed on income from prohibited transactions under Section 857(b)(6) of the Code), all as provided for in said Section 856 et sea., then:

(i) such provision shall promptly be amended or modified, to the reasonable satisfaction of counsel to Alexander's so as to remove the risk of such result, such amendment or modification to be retroactive to the date of such

document or other undertaking, or to a date approved by counsel to Alexander's; or

(ii) if a satisfactory amendment or modification cannot be agreed upon as set forth in clause (i) above; any such document or other undertaking shall be terminated by Alexander's, such termination to be retroactive to the date of such document or other undertaking, or to a date approved by counsel to Alexander's, and effective as to all terms and provisions of such document or other undertaking, except such provisions thereof as call for the making of any distribution or the payment of any compensation to any third party, for the purposes of which provisions, the termination date shall be deemed to be without retroactive effect.

C. Manager agrees that it shall cooperate with Owner in accomplishing a satisfactory amendment or modification of any such document or other undertaking, or the termination thereof, and shall, on request, execute and deliver any and all agreements and other documents reasonably required to effect such amendment or modification, or such termination. Manager shall submit any agreement proposed to be entered into by or on behalf of Owner to Owner's designated counsel for review a reasonable period of time prior to the proposed execution of such agreement.

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IN WITNESS WHEREOF, the parties hereto have hereunto executed this Agreement as of the 3 day of July, 2002.

OWNER: ALEXANDER'S INC.

By: /s/ Brian Kurtz

Brian Kurtz

Assistant Secretary

MANAGER: VORNADO MANAGEMENT
CORP.

By: /s/ Joseph Macnow

Joseph Macnow

Executive Vice President

The undersigned joins in the execution of this Agreement solely for the purpose of indicating its agreement to the provisions of Article XII.B, hereof:

VORNADO REALTY TRUST

By: /s/ Joseph Macnow

Joseph Macnow

Executive Vice President

EXHIBIT A

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: Bronx STATE: New York

2. "THIRD AVENUE PROPERTY"

ADDRESS: 2948-54 Third Avenue
633 Bergen Avenue;
2964 Third Avenue; and
2970 Third Avenue
Bronx, New York
TAX MAP DESIGNATION:
SECTION: 9
BLOCK: 2362 LOTS: 44, 72, 71, 52, 53
CITY: New York COUNTY: Bronx STATE: New York

3. "REGO PARK II PROPERTY"

TAX MAP DESIGNATION:
BLOCK: 2080 LOTS: 101
CITY: New York COUNTY: Queens STATE: New York

4. "REGO PARK III PROPERTY"

TAX MAP DESIGNATION:
BLOCK: 2077 LOTS: 90 and 98
CITY: New York COUNTY: Queens STATE: New York

AND

BLOCK: 2076 LOTS: 50 and 63
CITY: New York COUNTY: Queens STATE: New York

5. "PARAMUS PROPERTY"

TAX MAP DESIGNATION:
BLOCKS: 1202 LOTS: 1

EXHIBIT B

List of Subsidiaries

Alexander's of Flushing, Inc.

Alexander's of Rego Park II, Inc.

Alexander's of Rego Park III, Inc.

Alexander's of Third Avenue, Inc.

59TH STREET MANAGEMENT
AND DEVELOPMENT AGREEMENT

THIS 59TH STREET MANAGEMENT AND DEVELOPMENT AGREEMENT dated as of the 3 day of July, 2002 (the "Management Agreement" between 731 RESIDENTIAL LLC, a Delaware limited liability company, and 731 COMMERCIAL LLC, a Delaware limited liability company, each having an office c/o Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019 (collectively "Owner") and VORNADO MANAGEMENT CORP., a New Jersey corporation having an office at c/o Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019 ("Manager").

IN CONSIDERATION of the mutual promises and covenants herein contained. Owner and Manager agree as follows:

ARTICLE I

Appointment of Manager

A. Owner hereby appoints Manager, on the conditions and for the term hereinafter provided, to act for it in the operation, maintenance, management and development of the 59th Street Parcel identified on Exhibit A attached hereto and made a part hereof (the "Property"), which management and development duties are more particularly described in Articles IV and V. Manager hereby accepts said appointment to the extent of, and subject to, the conditions set forth below.

B. Owner and Manager hereby acknowledge that Owner and Manager are simultaneously herewith entering into that certain Real Estate Retention Agreement (the "Retention Agreement"), whereby Vornado Realty, L.P., as successor in interest to Vornado, Inc., has agreed to act as leasing agent with respect to the Property.

ARTICLE II

Term

The term of this Agreement shall commence on the date hereof and shall continue until the date of Substantial Completion of the Property (the "Initial Expiration Date") unless this Agreement shall be terminated and the obligations of the parties hereunder shall sooner cease and terminate, as hereinafter provided; provided, however, that the term of this Management Agreement shall automatically extend for consecutive one-year periods following the Initial Expiration Date unless Manager or Owner provides the other with written notice, at least six months prior to the beginning of any such additional one-year period, of its election to terminate this Management Agreement. The amount of the Management Fee (as hereinafter defined) shall be subject to review by the parties at the end of the initial term and at the end of each one-year term thereafter.

ARTICLE III

Management and Development Fee

A. Owner shall pay Manager, as Manager's entire compensation for the services rendered hereunder in connection with the management of the Property, a management fee (the "Management Fee") equal to (i) \$120,000.00, per annum, payable in equal monthly installments, in arrears, in the amount of \$10,000.00, each on the tenth day of each calendar month beginning with the first calendar month after the date hereof. In the event that this Agreement shall commence on a date other than the first day of a calendar month or shall terminate on a date other than the last day of a calendar month, the installment of the Management Fee payable for that month shall be prorated for the actual number of days that this Agreement is effective in that calendar month.

B. Owner shall pay Manager, as Manager's compensation for the services rendered hereunder in connection with the development of the Property, a development fee (the "Development Fee") (the Development Fee and the Management Fee are sometimes referred to herein, collectively, as the "Management and Development Fee") equal to (i) five percent (5%) of the total Development Costs (as hereinafter defined) with respect to the Property, plus (ii) general overhead and administrative expenses equal to one percent (1%) of the total Development Costs with respect to the Property.

Owner shall pay Manager, on account of the Development Fee, monthly installments (the "Development Installments") each in an amount equal to the Specified Installment Amount (as defined below), with each such installment payable, in arrears, on the tenth day of each calendar month, beginning with the calendar month immediately following the Effective Date. In the event that it is determined, upon Substantial Completion of the Property, that the aggregate Development Installments paid to Manager as of such date on account of the Development Fee total less than the amount of the Development Fee that is due to Manager hereunder in respect of the Property, Owner shall pay to Manager, within 15 days after Substantial Completion of the Property, an amount equal to such difference; provided, however, that in the event that Owner fails to make such payment within such 15 day period, Owner shall not be in default hereunder, but interest shall accrue on the Development Fee at the rate of 15% per annum from the date of Substantial Completion of the Property, and the balance of the Development Fee, together with all interest accrued thereunder, shall in any event be paid on the earlier of (y) January 3, 2006 or (z) the date on which the loan being made by Bayerische Hypo-Und Vereinsbank A.G., as agent for itself and other co-lenders, to Owner to finance certain development costs with respect to the Property is paid in full.

As used herein, the following terms shall have the following meanings:

"Development Budget" shall mean, collectively, the capital budgets and development schedules setting forth the Development Costs to be incurred in connection with the Property, as prepared by Manager and approved by Owner and as more particularly described in Article V hereof.

"Development Costs" shall mean the costs incurred by Owner in accordance with the Development Budget in connection with the planning, design and construction, and development or redevelopment of the Property, including, without limitation, fees of any construction manager, general contractor or any other third-party professionals unaffiliated with Manager and costs set forth in the Development Budget that may be reimbursed by tenants at the Property for improvements outside the leased premises of those tenants. Notwithstanding the foregoing, in no event shall Development Costs include costs paid for or reimbursed by the tenants for improvements inside the leased premises of those tenants, the Development Fee, costs of the land and, with respect to loans made to Owner, interest, commitment fees and points.

"Specified Installment Amount" means \$62,500.

"Substantial Completion" shall mean the date on which (a) all punch list items and landscaping at the Property have been completed, (b) the planning, design, construction and development of the Property have been completed, as certified by the Owner's architect, in accordance with the plans and specifications therefor approved by Owner, (c) all necessary occupancy and other permits have been obtained with respect to the work completed at the Property for which Manager has any obligation hereunder and (d) if leases are then in effect at the Property, the portions of the Property demised under the leases have been delivered for possession to the tenants thereunder in accordance with the terms thereof, the tenants have otherwise taken possession of the demised premises, or, if tenants cannot take possession due to Owner's obligation to perform tenant improvement work, tenant improvement work has commenced thereunder.

C. Manager shall receive no commissions, fees or other compensation (other than the Management Fee) in connection with any leasing or sale of any part of or the entire Property or the procuring of any financing or refinancing with respect thereto; provided, however, that nothing contained herein shall in any way restrict the commissions, fees and other compensation otherwise payable to any affiliate of Manager by Owner pursuant to the Retention Agreement.

D. In the event that Manager desires to provide services not required to be performed hereunder ("Additional Services") for the benefit of a tenant of the Property, Manager shall notify Owner in advance of its intention to provide Additional Services to a tenant or tenants where those services are substantial in nature. Owner shall have the right to prohibit Manager from undertaking such services, if, in its judgment, the performance by Manager of the Additional Services would adversely affect the professional relationship and duties of Manager created by this Agreement.

ARTICLE IV

Management Services

A. Manager agrees to operate and manage the Property and to perform or cause to be performed by outside contractors and under Manager's supervision, the following functions on behalf of Owner in an efficient and diligent manner using the same standard of care,

including bidding and selection processes, segregation of funds, internal controls and internal auditing, used by Vornado Realty Trust in connection with its business and in connection with properties owned and managed by Vornado Realty Trust:

1. Preparing, or causing to be prepared at Owner's expense, and filing all income, franchise and other tax returns relating to the Property required to be filed by Owner.

2. Keeping true and complete books of account in which shall be entered fully and accurately each transaction of Owner's business relating to the Property. The books shall be kept in accordance with the accrual method of accounting, and shall reflect all transactions of Owner's business relating to the Property.

3. Except as otherwise provided hereunder, procuring, at Owner's expense and at the direction of Owner or the Owner's insurance brokers or insurance advisors, any insurance required or desirable in connection with Owner's business relating to the Property or the employees required to operate Owner's business relating to the Property and errors and omissions insurance for Manager, under which Owner shall be the sole beneficiary. Manager shall not settle any claim for a settlement amount in excess of \$100,000 without the approval of Owner.

4. Providing all general bookkeeping and accounting services required by the provisions of this Agreement at the expense of Manager. Any independent certified public accountant engaged by Manager shall be subject to the approval of Owner and all fees and expenses payable to such accountant shall be at Owner's expense. Manager shall maintain separate books and records in connection with its management of the Property under this Management Agreement, which books and records shall be kept in accordance with generally accepted accounting principles. Owner shall have the right to examine or audit the books and records at reasonable times and Manager will cooperate with Owner in connection with any such audit.

5. Investing funds not otherwise required to pay the costs of day-to-day maintenance and operation of the Property or in the operation of Owner's business pursuant to guidelines set by Owner.

6. Repairing, making replacements and maintaining the Property and all common areas at the Property and purchasing all materials and supplies that Manager deems necessary to repair and operate and maintain the Property, in order that the Property shall remain in good, sound and clean condition, and making such improvements, construction, changes and additions to the Property (including capital improvements), as Manager deems advisable, provided that Manager shall receive approval of Owner prior to undertaking any improvements, construction, changes or additions to the Property. Owner shall pay all fees, costs and expenses incurred by Manager in connection with the retention of outside

contractors and suppliers for the performance of all repairs, replacements and maintenance of the Property in the event that Owner decides to remodel or extensively refurbish the Property, or any part thereof. Manager shall be entitled to receive additional compensation for services required to be rendered by it for services such as supervision of construction and allocation of overhead expense (i) to the extent that tenants at the Property reimburse Owner for such costs and (ii) if such costs are not reimbursable by the tenants and such remodeling or refurbishment shall be on a significant scale and shall require significant work by the Manager, the amount of such additional compensation payable to Manager shall be equal to Manager's costs in connection with such work, plus twenty percent (20%) of Manager's costs.

7. Negotiating and executing contracts for the furnishing to the Property of all services and utilities, including electricity, gas, water, steam, telephone, cleaning, security, vermin extermination, elevator, escalator and boiler maintenance and any other utilities or services, including repairs and maintenance of the buildings, other improvements and common areas at the Property, or such of them as Manager deems advisable to assure that the Property shall be caused to be and remain in a good, sound and clean condition and properly operating. All fees, costs and expenses under the contracts shall be paid by Owner.

8. Subject to the terms of any loan or credit agreement entered into by Owner with a lender and affecting the Property, demanding, receiving and collecting all rents, income and other revenues, which Manager shall deposit in a bank account or accounts of Owner maintained by Manager (with any interest thereon for the account of Owner) for the deposit of monies in regard to the Property; disbursing, deducting and paying from such rents, income and revenues, such amounts required to be disbursed or paid in connection with the repair, maintenance and operation of the Property and in the carrying out of Manager's duties. In the event that Manager shall determine that funds in the accounts are insufficient to make necessary disbursements or payments, Manager shall notify Owner promptly of the amount of such insufficiency. Promptly after (i) Owner receives such notice, or (ii) Owner independently determines that such funds are insufficient, Owner shall determine and notify Manager as to the order of priority in which disbursements and payments shall be made. Disbursements or payments shall include, but not be limited to, the following items:

a. all assessments and charges of every kind imposed by any governmental authority having jurisdiction (including real estate taxes, assessments, sewer rents and/or water charges) and, interest and penalties thereon; provided, however, that the interest or penalty payments shall be reimbursed by Manager to Owner if imposed by reason of delay in payment caused by Manager's gross negligence, willful misconduct, bad faith or material misapplication of funds (to the extent such material misapplication of funds is not covered by insurance) (collectively, "Malfeasance");

b. debt service on any loans secured by the Property;

c. license fees, permit fees, insurance appraisal fees, fines, penalties, legal fees, accounting fees incurred in the auditing of tenants' books and records to establish and collect overage or percentage rents, and all similar fees reasonably incurred in connection with the ownership, management or operation of the Property, provided, however, that any fines or penalties shall be reimbursed to Owner by Manager if imposed by reason of delay in payment caused by Manager's Malfeasance;

d. premiums on all policies of insurance;

e. salaries, wages and other related expenses, bonuses and fringe benefits for on-site personnel, service contracts, utilities, repairs, replacements, on-site administration expenses and Manager's compensation;

f. the Management Fee and any other sums payable hereunder to Manager;

g. contributions to merchants associations, if and as required by any outstanding agreements; and advertisement and public relations costs for promotional activities; and

h. any and all other expenses or costs that are customarily disbursed by managing agents of properties comparable to the Property or that are required in order for Manager to perform its duties.

In no event shall Manager be required to pay any bills or charges from its own funds, except as otherwise specifically provided herein.

9. Engaging, at the expense of Owner, any outside collection agency Manager deems appropriate for the collection of rent or other revenues or instituting, in Manager's name (but only if Manager so elects) or in the name of Owner, but in any event at the expense of Owner, any and all legal actions or proceedings to collect rent or other income from the Property or to oust or dispossess tenants or other persons therefrom, or cancelling or terminating any lease or the breach thereof or default thereunder by the tenant, and holding all security deposits posted by tenants and occupants and applying the same against defaults by the tenant or occupant. Manager shall hold all security deposits in a separate account if required by law or if requested by Owner. Manager shall not terminate any lease or evict the tenant thereunder without the prior approval of Owner.

10. Rendering such statements at such times and in such formats as Owner shall reasonably request and as shall be customary for properties comparable to the Property, including, without limitation, monthly cash flows, quarterly reports and operating statements and annual budgets as provided below.

11. Maintaining, at Manager's expense, insurance with reasonable deductibles, if any, for any and all claims or causes of action arising from bodily injury, disease or death of any of Manager's employees, agents, or representatives and for any and all claims or causes of action arising from Manager's negligence, infidelity or wrongful acts in connection with the performance of this Agreement, as well as employer's liability and worker's compensation for Managers employees and fidelity bonds for employees of Manager that handle funds and proceeds from the Property, in each case at customary levels of coverage.

12. Causing, at Owner's expense, all such acts and things to be done in or about the Property as shall be necessary to comply with all statutes, ordinances, laws, rules, regulations, orders and determinations, ordinary or extraordinary, foreseen or unforeseen of every kind or nature affecting or issued in connection with the Property by any governmental authority having jurisdiction thereof, as well as with all such orders and requirements of the Board of Fire Underwriters, Fire Insurance Exchange, or any other body that may hereafter exercise similar functions (collectively, "Applicable Laws"). In the event that Manager's good faith estimate of the cost of complying with any Applicable Laws shall exceed \$100,000 in connection with the Property, Manager shall not take any action to comply with Applicable Laws without first obtaining the consent of Owner. Notwithstanding the foregoing, however, Owner shall have no obligation to pay for the expenses incurred in connection with compliance with Applicable Laws to the extent such costs are incurred due to Managers Malfeasance or material breach of this Agreement. Manager shall have the right to contest such Applicable Laws, and pending the final determination of the contest, Manager may withhold compliance, provided that Manager shall receive Owner's prior consent to so withhold compliance. Manager agrees to contest any Applicable Law Owner shall request Manager to contest.

13. Filing applications, in Manager's name (but only if Manager so elects) or in the name of Owner, but in any event at Owner's expense for the reduction of real estate tax assessments and/or water charges and sewer rents, and/or for the cancellation or reduction of any other taxes, assessments, duties, imposts or other obligations of any nature imposed by law; and instituting any and all legal actions or proceedings in connection therewith; filing, settling, trying or appealing of all such applications and/or proceedings, upon such terms and conditions as Manager deems appropriate, provided, however, that Manager shall receive the consent of Owner prior to the institution or setting of any legal action or proceeding.

14. Taking, at Owner's expense and with the prior consent of Owner, any appropriate steps to protest and/or litigate to final decision in any appropriate court or forum any violation, order, rule or regulation affecting the Property.

15. Engaging, at Owner's expense, counsel, approved by Owner, and paying counsel fees and court costs and disbursements in connection with any proceedings involving the Property.

16. Assisting Owner in obtaining financing for the Property and causing Owner to comply, or complying on behalf of Owner, at Owner's expense, with all terms, conditions and obligations of any lease, mortgage, credit agreement, reimbursement agreement, development agreement, construction agreement, or any other agreement that shall relate to any matters in connection with the rental, operation or management of the Property, unless prevented or delayed by strikes, riot, civil commotion, war, inability to obtain materials because of governmental restrictions or acts of God or public enemy, or any other cause beyond Manager's control.

17. Performing administrative services required in connection with managing the Property, including, without limitation, the following:

- a. administration of tenants' insurance and enforcement of continuing coverage in accordance with the terms of the leases.
- b. confirmation of lease commencement dates and termination dates.
- c. liaison with the tenants as Owner's representative.
- d. supervision of tenant litigation in conjunction with Owner's legal counsel.
- e. obtaining sales volume reports from tenants and calculating and collecting percentage rents as a result of those reports.
- f. providing necessary information to Owner for tax reporting, in a format reasonably approved by Owner and upon Owner's request, initiating together with Owner's counsel, property tax appeals.
- g. providing quarterly financial statements, in a format reasonably approved by Owner, reflecting in reasonable detail the operating income and expense of the Property.
- h. alerting Owner if tenant sales volume reports appear inaccurate and recommend audits.
- i. reporting and making recommendations regarding unusual tenant problems requiring Owner's approval.
- j. obtaining contractors to maintain, operate and provide security for the Property.
- k. coordinating with any consultants retained by Owner in connection with the Property.

18. Preventing the use of the Property for any purpose that would void any insurance policy covering the Property, or that would render any loss thereunder uncollectible, or that would be in violation of any governmental restriction, any tenant lease or any reciprocal easement agreement.

B. Owner shall be responsible for, and shall indemnify Manager against, all costs incurred in connection with the operation and management and development of the Property, except to the extent such costs are incurred in connection with Managers Malfeasance or material breach of this Agreement, and all past, present and future liabilities of Owner, including, without limitation:

1. all outside professional fees, including attorneys, accountants and architects;
2. taxes;
3. insurance (other than workers' compensation insurance for Manager's employees and as otherwise provided herein), including retiree health liability insurance and directors' and officers' liability insurance;
4. fees and expenses applicable to Owner;
5. costs that are, at the discretion of Owner, for services not included in this Management Agreement, including, without limitation, salaries and other expenses of employees (other than employees of Manager) performing services for Owner in connection with the operation and management and development of the Property.

ARTICLE V

Development

Manager agrees to design and plan the development of the Property and to manage the construction and development of the Property and to perform, or cause to be performed by outside contractors, the following functions on behalf of Owner in an efficient and diligent manner using the same standard of care, including bidding and selection processes, used by Vornado Realty Trust in connection with properties owned and managed by Vornado Realty Trust:

1. Obtaining or assisting Owner in obtaining, on behalf of Owner and at Owner's expense, all required building permits and other governmental approvals or consents, along with any zoning variances or other zoning approval, necessary to initiate the development of the Property.
2. Retaining at Owner's expense, all architects, engineers, contractors, construction managers and consultants (collectively "Consultants") necessary or desirable in completing the design and planning of the development of the Property and negotiating, on behalf of Owner, any contracts with Consultants.

3. Monitoring and coordinating the activities of the Consultants retained for the planning and design of the Property.

4. Assisting and cooperating with Owner in all aspects of arranging or acquiring any construction or other financing required for the Property, including, without limitation, meeting with and furnishing information to prospective lenders.

5. Preparing and filing, or causing the preparation and filing at the expense of Owner of, all returns (other than income, franchise and other similar returns), statements, declarations and filings that may from time to time be required of Owner in connection with the planning, design and development of the Development Property by any municipal, state, federal or other governmental or statutory authority having jurisdiction over the development of the Development Property.

6. Preparing an initial budget as soon as practicable, but in any event prior to the commencement of any construction at the Property (including, without limitation, an estimate of the timing of the incurrence of expenditures contained in the budget) and make any revisions or adjustments necessary to acquire approval of Owner for such budget, the approved budget for the Property being herein called the "Development Budget". Manager shall recommend any revision to the Development Budget that Manager from time to time may deem appropriate, or as Owner may reasonably request, in each case to be approved by Owner, provided, however, that Manager's obligation to seek Owner approval of change orders shall be limited to change orders exceeding, in the aggregate, ten percent (10%) of the applicable line item in the initial Development Budget. The approval by Owner of the Development Budget and any revisions thereto shall also constitute authorization by Owner of the expenditures and commitments provided for therein and, subject to the other provisions of this Agreement, Manager then shall be entitled to act for Owner in incurring the expenditures and making commitments to the extent provided for in the approved initial or revised Development Budget, as applicable.

7. Recommending, for Owner's approval, such Consultants as may be necessary or desirable for the development of the Property and negotiating on behalf of Owner any contracts and agreements as are necessary or desirable in connection with the development of the Property with such Consultants approved by Owner and supervising the performance by such Consultants thereunder, including, without limitation, the supervision and processing of change requests and change orders.

8. Monitoring and coordinating the activities of the Consultants and, where appropriate, assisting Owner in performing Owner's obligations under the contracts with Consultants.

9. Supervising the collection and review of all documentation required to be submitted to any construction lender or other lender in connection with the development of the Property and supervising all disbursements made pursuant to any financing.

10. Supervising the ordering and installation of equipment or other supplies necessary for the development of the Property.

11. Preparing (i) quarterly progress reports regarding the development of the Property, detailing any deviations from the Development Budget and providing explanations for such deviations, (ii) all reports required under loan agreements affecting Owner and (iii) promptly after the completion of the development of the Property, preparing a report of actual Development Costs incurred in connection with the development, separately identifying as estimated items those, if any, that cannot be finally determined at the time of the final report.

12. Providing regular and continuing accounting services, on the basis of standard accounting practices for similar projects consistently applied, of all costs and expenses incurred by Owner in connection with the development of the Property, and the receipt and use of borrowed funds or funds otherwise made available.

13. Attending meetings as reasonably required or requested by Owner.

14. Assisting Owner in obtaining and maintaining in full force and effect at all times during the term of construction at the Property all-risk builder's risk insurance (including coverage against collapse and fire) written on a progress basis and including commercial public liability insurance with incidental contract coverage, with such insurers, in such amounts and under such policies as may be reasonably satisfactory to Owner and the expense of maintaining such insurance shall be an expense of, chargeable to, or paid by Owner.

15. Generally performing such other acts and things as may be reasonably required for coordinating, monitoring, administering and supervising the full and complete planning, design construction and development of the Property.

ARTICLE VI

Annual Budget

A. On or before the beginning of each calendar year, Manager shall prepare and submit to Owner a proposed budget (hereinafter referred to as the "Proposed Budget") of the estimated operating and capital expenses of the Property for the next fiscal year or such other operating period as may be agreed to by the parties.

B. Owner shall have the right to approve or disapprove the Proposed Budget. The final budget for the fiscal year is referred to as the "Approved Budget" in this Agreement. The Approved Budget shall be subject to quarterly comparisons and revisions, which revisions the Manager and Owner mutually shall agree to be appropriate all such revisions as approved by Owner shall be considered part of the "Approved Budget". Manager shall make expenditures without the specific approval of Owner if:

1. The expenditure (or group of related expenditures) has been generally identified in an Approved Budget line item and exceeds the amount shown in respect thereof in such budget line item by no more than ten percent (10%).

2. The expenditure (or group of related expenditures) has not been generally identified in the Approved Budget but does not exceed \$100,000.

3. The expenditure (or group of related expenditures) exceeds \$100,000 and was either not anticipated or exceeded the Approved Budget by more than ten percent, but is not discretionary.

4. The expenditure is required by a condition or situation that in Manager's professional judgment constitutes an emergency. In any case where an emergency situation exists that is of serious financial or physical consequence, Manager may act in the best interest of Owner, but Manager shall attempt to notify Owner prior to making the expenditure, but in any event, Manager shall report verbally the making of the expenditure to Owner no later than 24 hours after the occurrence of the emergency.

ARTICLE VII

Owner to Execute Documents

Owner covenants and agrees that wherever in this Agreement it is provided that Manager may take any action in the name of or on Owner's behalf, Owner will promptly execute any documents that may be required by Manager for the purposes of carrying out any of Manager's functions as same are set forth.

ARTICLE VIII

Assignment; Cancellation

A. Simultaneously herewith, Vornado Realty Trust has entered into a Guaranty, dated the date hereof, in favor of Owner, guaranteeing performance of the duties and obligations of Manager hereunder, and agreeing, to the extent necessary, to make available to the Specified Vornado Affiliate the resources of Vornado Realty Trust for the purposes of carrying out such duties and obligations, (the "Guaranty"). Neither Owner nor Manager shall assign this Agreement or any of its rights hereunder without the consent of the other party; provided, however, that Manager shall have the right to assign its rights and delegate its duties under this Agreement to any Specified Vornado Affiliate (as defined herein) without the consent of Owner,

provided that, (a) in connection with any such assignment, Manager shall cause Vornado Realty Trust to deliver a ratification of the Guarantee, in form and substance reasonably satisfactory to Owner, (b) notwithstanding any such assignment to a Specified Vornado Affiliate, the indemnification of Owner by Vornado Realty Trust set forth in Article XI hereof shall remain the obligation of Vornado Realty Trust, and (c) references to the standard of care, customarily provided services and reporting standards applicable to Manager in performing its duties under this Management Agreement shall continue to be the same standard of care and reporting standards applicable to Vornado Realty Trust in connection with property owned by Vornado Realty Trust; and further provided that Owner shall have the right to collaterally assign its rights under this Agreement to one or more lenders providing financing with respect to the Property. For purposes of this Article VIII, "Specified Vornado Affiliate" shall mean Vornado Realty L.P. or Vornado Realty Trust or any entity which directly or indirectly controls either of them, is directly or indirectly controlled by either of them or is under direct or indirect common control with either of them.

B. In the event that there is a change of control of Vornado Realty Trust or Manager after the date of this Agreement, Owner shall have the right to terminate this Agreement if Owner shall determine that such change of control is reasonably likely to have a material adverse effect on the ability of Manager to perform its obligations under this Agreement. For purposes of this Article VIII, "change of control" shall mean that the aggregate interest of Interstate Properties and its partners in Vornado Realty Trust shall be less than twenty percent of the ownership interests therein.

C. In the event that all of the Property is sold or otherwise disposed of, this Agreement shall, from and after the date of any such sale or disposition, cease and terminate and all accrued but unpaid Management and Development Fees (i.e., accrued Development Fees being calculated not on total Development Costs but only on the Development Costs accrued up to the date of termination) shall thereupon be due and payable. As to any sale or disposition from time to time of portions of the Property, from and after the date of any such sale or disposition, this Agreement shall cease to apply as to such portions of the Property and Owner and Manager hereby agree that the Management Fee shall be equitably adjusted downward if appropriate to the extent required to reflect the decrease (if any) in services rendered. In the event that Owner and Manager are unable to agree on the amount of the adjustment as provided in this paragraph, then the parties hereto hereby agree that the dispute shall be submitted promptly by them to the American Arbitration Association for the City of New York for determination in accordance with its rules, and such determination shall be binding upon both parties.

D. This Agreement shall be non-cancelable, except as permitted by the terms of this Agreement.

ARTICLE IX

Breach; Termination

A. If either party shall commit a material breach of this Agreement, the other party shall serve written notice upon the allegedly breaching party, and the notice shall set forth

the details of such alleged breach. Owner covenants and agrees that Manager shall not be deemed to have committed a material breach of this Agreement unless Manager wilfully violates any provision hereof, is grossly negligent in the observance or performance of any of its obligations hereunder, acts in bad faith in connection with its duties under this Agreement, or materially misapplies any funds received from the Property (to the extent not covered by insurance).

B. Owner shall, within thirty (30) days after its receipt of said notice, cure such breach unless it disputes the claim as set forth in Paragraph D of this Article IX. If Owner does not cure within such ten-day period, Manager shall have the right, but not the obligation, to cease providing services hereunder until the breach shall be cured. In the event that Manager shall cease providing services hereunder pursuant to this Paragraph, Owner shall have the right to terminate this Agreement and replace Manager in which event Manager promptly shall deliver to Owner all books and records with respect to the Property that are in Manager's possession and otherwise comply with paragraph H below, and upon its receipt of any outstanding payments due to it, shall cooperate with the successor Manager to effect a smooth transition in the management and operation of the Property.

C. Manager shall, within thirty (30) days after its receipt of a notice under Paragraph A of this Article IX, cure such breach unless it disputes the claim as set forth in Paragraph D of this Article IX; or if said breach cannot be cured within said thirty (30) day period, Manager shall within said time period commence and thereafter diligently and continuously proceed with all necessary acts to cure such breach, subject to the terms of any loan documents and other material agreements affecting the Property. If Manager shall fail within said time period to cure the said breach, Owner shall have the right, by sending a second written notice to Manager, to terminate this Agreement effective immediately or as of a particular date which shall be specified in said second notice.

D. If the party who receives the notice of breach shall, within five (5) days after receipt of such notice, send the notifying party a written notice disputing the claim of material breach and demanding arbitration thereof, then the parties hereto hereby agree that the dispute shall be submitted promptly by them to the American Arbitration Association for the City of New York for determination in accordance with its rules, and such determination shall be binding upon both parties. During the pendency of said arbitration, Manager shall continue to perform all of its obligations as Manager under this Agreement. If it is determined that the party did commit a breach, then the breach shall be cured within ten (10) days after service of a copy of the award or determination on the breaching party; and if not so cured, this Agreement shall be terminated.

E. If, at any time during the term of this Agreement, there shall be filed against either of the parties hereto in any court, pursuant to any statute either of the United States or any state, a petition in bankruptcy or insolvency or for reorganization of or for the appointment of a receiver or trustee of all or a portion of the property of either party, and such petition is not discharged within thirty (30) days after the filing thereof, or if either party makes an assignment for the benefit of creditors, or petitions for or enters into an arrangement, or permits this Agreement to be taken under any writ of execution or attachment, then in any of

such events, the other party hereto shall have the right to terminate this Agreement by giving written notice, by certified mail, effective as of a particular date specified in said notice.

F. Manager and Owner shall each have the further right to terminate this Agreement or any portion or provision thereof or activity thereunder on not less than thirty (30) days' prior written notice to the other party if Manager or Owner shall determine in good faith that this Agreement shall or may deprive Manager or Alexander's, Inc. of any benefits appurtenant to that Party's future qualification as a REIT under all applicable laws, including, without limitation, the Internal Revenue Code of 1986, as amended from time to time (the "Code"), or continued benefits if that party is a REIT.

G. Upon full or partial termination, or expiration of this Agreement, all of the obligations of either party to the other shall terminate immediately except (i) Manager shall comply with the applicable provisions of Subsection H below, (ii) Owner shall pay to Manager all Management and Development Fees and expenses earned and/or due hereunder to the date of termination or expiration; provided, however, that in the event that Owner fails to make such payment, Owner shall not be in default hereunder, but interest shall accrue on such unpaid amounts at the rate of 18% per annum from the date of such termination, and the balance of such unpaid amounts, together with all interest accrued thereunder, shall in any event be paid on the earlier of (y) January 3, 2006 or (z) the date on which the loan being made by Bayerische Hypo-Und Vereinsbank A.G., as agent for itself and other co-lenders, to Owner to finance certain development costs with respect to the Property is paid in full, and (iii) as otherwise expressly stated herein. Upon any termination of any portion, provision or activity of or under this Agreement, the provisions of the preceding sentence shall apply in respect of the terminated portion, provision or activity. Owner shall pay Manager any amount owed to Manager under this Agreement within 30 days after any termination of this Agreement.

H. Notwithstanding anything to the contrary contained elsewhere herein, in the event that the Management and Development Agreement dated February 6, 1995 between Alexander's Inc. and Vornado Realty Trust is terminated for any reason, Owner shall have the option to terminate this Management Agreement upon written notice to Manager given at least three months prior to such termination.

I. Upon the expiration or earlier termination or partial termination of this Agreement with respect to the Property or any part thereof, Manager shall:

1. Deliver to Owner, or such other person or persons designated by Owner, all books and records of the Property and all funds in its possession belonging to Owner or received by Manager pursuant to this Agreement with respect to the Property, together with all leases and all other contracts related to the Property; provided, however, that Manager shall have the right to keep a copy of all such records; and

2. Assign, transfer or convey to Owner, or such other person or persons designated by Owner, all service contracts and personal property of Owner relating to or used in the operation or maintenance of the Property. Upon the expiration or termination of this Agreement. Manager shall render a full

account to Owner and shall deliver to Owner a statement outlining in detail all management fees due to Manager hereunder with respect to the Property, shall cause the net amount of any funds held by Manager in connection with the Property to be delivered to Owner and shall cooperate with Owner in the transition by Owner to a replacement property manager, if applicable.

Owner shall compensate Manager for all costs and expenses incurred by Manager in good faith in connection with the transition of the management of the Property from Manager to any new manager.

ARTICLE X

No Joint Venture

It is the intent of this Agreement to constitute Manager as an independent contractor and as agent of Owner under any contract entered into by Manager on behalf of Owner in accordance with the terms of this Agreement, and this Agreement shall be so construed and Manager agrees at all times to act in conformity therewith. Nothing herein contained shall be deemed to have created, or be construed as having created any joint venture or partnership relationship between Owner and Manager. At all times during the performance of its duties and obligations arising hereunder, Manager shall be acting as an independent contractor.

ARTICLE XI

Indemnity

A. Owner shall, to the fullest extent permitted by applicable law, indemnify, defend and hold harmless Manager, its officers, directors, trustees, partners, agents, employees and representatives against any losses, claims, damages or liabilities to which such person may become subject in connection with any matter arising out of or in connection with this Agreement, except for any loss, claim, damage or liability caused by Manager's Malfeasance. If Manager becomes involved in any capacity in any action, proceeding or investigation in connection with any matter arising out of or in connection with this Agreement, Owner shall reimburse Manager for Manager's legal and other expenses (including the cost of any investigation and preparation) as they are incurred in connection therewith; provided, however, that Manager shall promptly repay to Owner the amount of any such reimbursed expenses paid to it to the extent that it shall ultimately be determined that Manager, its officers, directors, trustees or agents were not entitled to be indemnified by Owner in connection with such action, proceeding or investigation.

B. Manager shall indemnify, defend and hold harmless Owner and each of their respective officers, directors, trustees, partners, representatives, employees and agents from and against any and all claims, losses, damages or liabilities, to which such person may become subject and arising out of Manager's Malfeasance or the Malfeasance of any of its employees, representatives or agents in performing its or their duties under this Agreement, except to the extent caused by the Malfeasance of Owner or any of their respective officers, directors, trustees, shareholders, partners, representatives, employees or agents. If Owner becomes involved in any

capacity in any action, proceeding or investigation in connection with any matter arising out of or in connection with this indemnity, Manager shall reimburse Owner for Owner's legal and other expenses (including the cost of any investigation and preparation) as they are incurred in connection therewith; Provided, however, that Owner shall promptly repay to Manager the amount of any such reimbursed expenses paid to it to the extent that it shall ultimately be determined that Owner, its officers, directors, trustees or agents were not entitled to be indemnified by Manager in connection with such action, proceeding or investigation. Notwithstanding anything contained herein, Manager's liability hereunder shall be limited (except to the extent covered by insurance) to the aggregate amount of the Management Fee received by Manager as of the date such liability is determined.

C. The terms of this Article XI shall survive the expiration or termination of this Agreement.

ARTICLE XII

Notices

Any and all notices, consents or directives by either party intended for the other shall be in writing sent by hand delivery or reputable overnight courier service to the respective addresses first herein set forth in this Agreement, with copies sent to Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652, Attention: Chief Financial Officer, and Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019, Attention: President, unless either party shall have designated different addresses by serving written notices of change of addresses on the other party by registered or certified mail, return receipt requested.

ARTICLE XIII

Miscellaneous

A. This Agreement cannot be changed or modified, varied or altered except by an agreement, in writing, executed by each of the parties hereto. This Agreement constitutes all of the understandings and agreements of whatsoever kind or nature existing between the parties in connection with the relationship created herein.

B. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

C. Neither Owner nor Manager shall make (and each hereby waives) any claim against the other party's directors personally or against the other party's trustees, beneficiaries or shareholders personally. Manager shall (and is hereby authorized to) insert in all leases, documents and agreements executed by it on behalf of Owner, a provision that Manager's directors, trustees, beneficiaries or shareholders shall not be personally liable thereunder.

D. Owner shall have the right to collaterally assign this Agreement to a lender providing financing to Owner, and Manager agrees to execute and deliver a recognition agreement, in a commercially reasonable form, providing that (a) such lender may assume Owner's interest in this Agreement without obligation for payment of any fees accrued and

payable to Manager for a time prior to such assumption or with respect to performance of any obligation relating to a time prior to such assumption, (b) Manager will perform the services set forth herein for so long as such lender continues to perform the obligations of Owner hereunder unless Manager elects, at any time, to give such lender a fifteen (15) day termination notice, in which event Manager's obligations shall terminate as of the date stated in such termination notice, and (c) any termination hereof by the lender other than in accordance with the terms of this Agreement (as opposed to in accordance with the recognition agreement) shall not relieve Owner of its obligations hereunder. In no event shall an assumption by the lender under such a recognition agreement release Owner from its obligation hereunder with respect to accrued fees or otherwise.

E. Any approval or consent required by or requested of Owner pursuant to the terms of this Agreement may be withheld in the sole and absolute discretion of Owner, unless otherwise expressly provided.

F. Manager and Owner hereby expressly acknowledge and agree that any third party engaged in accordance with the terms of this Agreement to perform any of the services contemplated hereunder shall be at Owner's expense.

G. Owner and Manager acknowledge that nothing contained in this agreement shall restrict or otherwise affect the rights of Vornado Realty Trust or any affiliate thereto in connection with any loan facility provided by Vornado Realty Trust or such affiliate to Alexander's, Inc. and/or its subsidiary.

H. Anything contained in this Agreement to the contrary notwithstanding, Manager's agreement to undertake the obligations set forth in this Agreement shall not constitute or be deemed to constitute an express or implied warranty concerning the general affairs, financial position, stockholders' equity, financial results of operations or prospects of Owner.

ARTICLE XIV

Declaration of Trust

A. Manager shall use every reasonable means to assure that all persons having dealings with Manager shall be informed that no trustee, shareholder, officer or agent of Manager shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise in connection with the affairs of Owner, but the trust estate only shall be liable. Manager recognizes and agrees that every agreement or other written instrument entered into by Manager on behalf of Owner shall contain a provision stating the above limitation.

B. Manager represents, warrants and agrees that neither it nor any affiliated or related person or entity (including any person or entity owning any interest in Manager) is now, or shall become during the term of this Agreement, a borrower of any funds advanced by Alexander's, and Manager shall advise Alexander's promptly, in writing, should such representation and warranty become untrue. Manager shall, from time to time, furnish such

information as may reasonably be requested by Owner in order to facilitate Alexander's qualification as a REIT under the Code.

ARTICLE XV

Continued Qualification as a REIT

A. Manager shall make reasonable efforts not to enter into any agreement (including, without being limited to, any agreement for the furnishing of non-customary services), without the consent of Owner, with any tenant or other occupant of the Property, that would result in (A) the disqualification of Alexander's as a REIT entitled to the benefits of Section 856 et seq., of the Code, (B) the imposition of any penalty or similar tax on Alexander's (including, without being limited to, the tax imposed on the failure to meet certain income requirements under Section 857(b)(5) of the Code and the tax imposed on income from prohibited transactions under Section 857(b)(6) of the Code) or (C) any part of the rental or other consideration paid thereunder by such tenant or occupant to Alexander's, or to Manager on behalf of Alexander's, being held not to constitute either "rents from real property" or "interest on obligations secured by mortgages on real property or on interests in real property" or "interest on obligations secured by mortgages on real property or on interest in real property" or other income described in Sections 856(c)(2) and (c)(3) of the Code.

B. Owner shall cause Alexander's Inc. to make reasonable efforts to assure, by prior review of agreements to be entered into by Manager, that no such agreement contains provisions that would result in the disqualification of Alexander's as a REIT entitled to the benefits of Section 856 et seq. of the Code, receipt by the Owner of non-qualifying income, or imposition of a penalty or similar tax (including, without being limited to, the tax imposed on the failure to meet certain income requirements under Section 857(b)(5) of the Code and tax imposed on income from prohibited transactions under Section 857(b)(6) of the Code), and specifically agrees that Manager shall be entitled to rely upon the advice of Alexander's designated counsel as to any such matter; provided, however, that, without regard to whether such review has been performed or advice rendered, if any document or other written undertaking entered into or made by or on behalf of Owner or any constituent entity of Owner shall, in the reasonable opinion of counsel to Alexander's, contain any provision that would result in a significant risk of the disqualification of Alexander's as a REIT, receipt by Alexander's of non-qualifying income, imposition on Alexander's of any penalty or similar tax (including, without being limited to, the tax imposed on the failure to meet certain requirements under Section 857(b)(5) of the Code and the tax imposed on income from prohibited transactions under Section 857(b)(6) of the Code), all as provided for in said Section 856 et seq., then:

(i) such provision shall promptly be amended or modified, to the reasonable satisfaction of counsel to Alexander's so as to remove the risk of such result, such amendment or modification to be retroactive to the date of such document or other undertaking, or to a date approved by counsel to Alexander's; or

(ii) if a satisfactory amendment or modification cannot be agreed upon as set forth in clause (i) above, any such document or other undertaking shall be terminated by Alexander's, such termination to be retroactive to the date of such document or other

undertaking, or to a date approved by counsel to Alexander's, and effective as to all terms and provisions of such document or other undertaking, except such provisions thereof as call for the making of any distribution or the payment of any compensation to any third party, for the purpose of which provisions, the termination date shall be deemed to be without retroactive effect.

C. Manager agrees that it shall cooperate with Owner in accomplishing a satisfactory amendment or modification of any such document or other undertaking, or the termination thereof, and shall, on request, execute and deliver any and all agreements and other documents reasonably required to effect such amendment or modification, or such termination. Manager shall submit any agreement proposed to be entered into by or on behalf of Owner to Owner's designated counsel for review a reasonable period of time prior to the proposed execution of such agreement.

IN WITNESS WHEREOF, the parties hereto have hereunto executed this Agreement as of the 3 day of July, 2002.

OWNER:

731 RESIDENTIAL LLC

By: 731 Residential Holding LLC

By: Alexander's, Inc.

By: /s/ Brian Kurtz

Name: Brian Kurtz
Title: Assistant Secretary

731 COMMERCIAL LLC

By: 731 Commercial Holding LLC

By: Alexander's, Inc.

By: /s/ Brian Kurtz

Name: Brian Kurtz
Title: Assistant Secretary

MANAGER:

VORNADO MANAGEMENT CORP.

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President

The undersigned joins in the execution of this Agreement solely for the purpose of indicating its agreement to the provisions of Article XII.B hereof:

VORNADO REALTY TRUST

By: /s/ Joseph Macnow

Joseph Macnow, Executive Vice President

EXHIBIT A

Legal Description - Residential Parcel

ALL THAT CERTAIN volume of space, situate, lying and being in the Borough of Manhattan, County, City and State of New York, bounded and described as follows:

ALL that portion of the below described parcel lying between a lower horizontal plane drawn at elevation 512'-2" above the datum level used by the Topographical Bureau, Borough of Manhattan, which is 2'-9" above National Geodetic Survey Vertical Datum of 1929, mean sea level, Sandy Hook, New Jersey and an upper horizontal plane drawn at 809'-2" above such datum level bounded and described as follows:

BEGINNING at a point distant 48'-8" north of the northerly line of East 58th Street and 30'-9" east of the easterly line of Lexington Avenue;

RUNNING THENCE northerly, parallel with the easterly line of Lexington Avenue, 12'-6";

THENCE westerly, parallel with the northerly line of East 58th Street, 5'-10";

THENCE northerly, parallel with the easterly line of Lexington Ave, 78'-6";

THENCE easterly, parallel with the northerly line of East 58th Street, 5'-10";

THENCE northerly, parallel with the easterly line of Lexington Avenue, 12'-6";

THENCE easterly, parallel with the northerly line of East 58th Street, 103'-6";

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7'-6";

THENCE easterly, parallel with the northerly line of East 58th Street, 35'-0";

THENCE southerly, parallel with the easterly line of Lexington Avenue, 88'-6";

THENCE westerly, parallel with the northerly line of East 58th Street, 35'-0";

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7'-6";

THENCE westerly, parallel with the northerly line of East 58th Street, 103'-6" to the point or place of BEGINNING.

Legal Description - Commercial Parcel

ALL THAT CERTAIN plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Borough of Manhattan, County, City and State of New York, bounded and described as follows:

BEGINNING at the corner formed by the intersection of the northerly line of East 58th Street with the easterly line of Lexington Avenue;

RUNNING thence northerly, along the easterly line of Lexington Avenue, 200'-10" to the corner formed by the intersection of the southerly line of East 59th Street with the easterly line of Lexington Avenue;

THENCE easterly, along the southerly line of East 59th Street, 420'-0" to the corner formed by the intersection of the southerly line of East 59th Street with the westerly line of Third Avenue;

THENCE southerly, along the westerly line of Third Avenue, 200'-10" to the corner formed by the intersection of the northerly line of East 58th Street with the westerly line of Third Avenue;

THENCE westerly, along the northerly line of East 58th Street, 420'-0" to the point or place of BEGINNING.

LESS AND EXCEPT:

All that portion of the below described parcel lying between a lower horizontal plane drawn at elevation 512'-2" above the datum level used by the Topographical Bureau, Borough of Manhattan, which is 2'-9" above National Geodetic Survey Vertical Datum of 1929, mean sea level, Sandy Hook, New Jersey and an upper horizontal plane drawn at 809'-2" above such datum level bounded and described as follows:

BEGINNING at a point distant 48'-8" north of the northerly line of East 58th Street and 30'-9" east of easterly line of Lexington Avenue;

RUNNING thence northerly, parallel with the easterly line of Lexington Avenue, 12'-6";

THENCE westerly, parallel with the northerly line of East 58th Street, 5'-10";

THENCE northerly, parallel with the easterly line of Lexington Ave., 78'-6";

THENCE easterly, parallel with the northerly line of East 58th Street, 5'-10";

THENCE northerly, parallel with the easterly line of Lexington Avenue, 12'-6";

THENCE easterly, parallel with the northerly line of East 58th Street, 103'-6";

THENCE southerly, parallel with the easterly line of Lexington Avenue, 7'-6";

THENCE easterly, parallel with the northerly line of East 58th Street, 35"-0";

THENCE southerly, parallel with the easterly line of Lexington Avenue, 88'-6";
THENCE westerly, parallel with the northerly line of East 58th Street, 35'-0";
THENCE southerly, parallel with the easterly line of Lexington Avenue, 7'-6";
THENCE westerly, parallel with the northerly line of East 58th Street, 103'-6"
to the point or place of BEGINNING.

KINGS PLAZA MANAGEMENT
AGREEMENT

THIS KINGS PLAZA MANAGEMENT AGREEMENT dated as of the 31 day of May, 2001 (the "Management Agreement" between ALEXANDER'S KINGS PLAZA LLC, a Delaware limited liability company having an office at 210 Route 4 East, Paramus, New Jersey 07652 ("Owner") and VORNADO MANAGEMENT CORP., a New Jersey corporation having an office at 210 Route 4 East, Paramus, New Jersey 07652 ("Manager").

IN CONSIDERATION of the mutual promises and covenants herein contained. Owner and Manager agree as follows:

ARTICLE I

Appointment of Manager

A. Owner hereby appoints Manager, on the conditions and for the term hereinafter provided, to act for it in the operation, maintenance and management of the Kings Plaza Property identified on Exhibit A attached hereto and made a part hereof (the "Property"), which management duties are more particularly described in Article IV. Manager hereby accepts said appointment to the extent of, and subject to, the conditions set forth below.

B. Owner and Manager hereby acknowledge that affiliates of Owner and Manager have heretofore entered into that certain Real Estate Retention Agreement, dated as of July 20, 1992 (the "Retention Agreement"), whereby Vornado Realty Trust, as successor in interest to Vornado, Inc., has agreed to act as leasing agent with respect to, among other things, the space at the Property currently leased to Sears, Roebuck & Co.

ARTICLE II

Term

A. The term of this Agreement shall commence on the date hereof and shall continue until midnight on the date immediately following the first anniversary of the date hereof (the "Initial Expiration Date") unless this Agreement shall be terminated and the obligations of the parties hereunder shall sooner cease and terminate, as hereinafter provided; provided, however, that the term of this Management Agreement shall automatically extend for consecutive one-year periods following the Initial Expiration Date unless Manager or Owner provides the other with written notice, at least six months prior to the beginning of any such additional one-year period, of its election to terminate this Management Agreement. The amount of the Management Fee (as hereinafter defined) shall be subject to review by the parties at the end of the initial term and at the end of each one-year term thereafter.

ARTICLE III

Management Fee

A. Owner shall pay Manager, as Manager's entire compensation for the services rendered hereunder in connection with the management of the Property, a management fee (the "Management Fee") equal to (i) \$300,000, per annum, payable in equal monthly installments, in arrears, in the amount of \$25,000, each on the tenth day of each calendar month beginning with the first calendar month after the date hereof and (ii) 3% of the gross income derived from the Property, payable quarterly in arrears. As used in the preceding sentence, "gross income" means all revenues of any kind and nature (including without limitation, all minimum and percentage rents actually received), whether ordinary or extraordinary, foreseen or unforeseen, received or accrued from the use and/or occupancy of the improvements constituting the Property or any part thereof, exclusive of parking revenues and exclusive of monies received or accrued from any occupants or users of any part of such improvements for reimbursement for expenses of the Property, including but not limited to real estate taxes, common area maintenance charges, insurance or utilities as provided in the space leases for tenants. "Gross income" shall not include proceeds of any sale, refinancing, condemnation or insured casualty in respect of the Property." In the event that this Agreement shall commence on a date other than the first day of a calendar month or shall terminate on a date other than the last day of a calendar month, the installment of the Management Fee payable for that month shall be prorated for the actual number of days that this Agreement is effective in that calendar month.

B. Manager shall receive no commissions, fees or other compensation (other than the Management Fee) in connection with any leasing or sale of any part of or the entire Property or the procuring of any financing or refinancing with respect thereto; provided, however, that nothing contained herein shall in any way restrict the commissions, fees and other compensation otherwise payable to any affiliate of Manager by Owner or its affiliates pursuant to the Retention Agreement.

C. In the event that Manager desires to provide services not required to be performed hereunder ("Additional Services") for the benefit of a tenant of the Property, Manager shall notify Owner in advance of its intention to provide Additional Services to a tenant or tenants where those services are substantial in nature. Owner shall have the right to prohibit Manager from undertaking such services, if, in its judgment, the performance by Manager of the Additional Services would adversely affect the professional relationship and duties of Manager created by this Agreement.

ARTICLE IV

Management Services

A. Manager agrees to operate and manage the Property and to perform, or cause to be performed by outside contractors and under Manager's supervision, the following functions on behalf of Owner in an efficient and diligent manner using the same standard of care, including bidding and selection processes, segregation of funds, internal controls and internal

auditing, used by Vornado Realty Trust in connection with its business and in connection with properties owned and managed by Vornado Realty Trust:

1. Preparing, or causing to be prepared at Owner's expense, and filing all income, franchise and other tax returns relating to the Property required to be filed by Owner.

2. Keeping true and complete books of account in which shall be entered fully and accurately each transaction of Owner's business relating to the Property. The books shall be kept in accordance with the accrual method of accounting, and shall reflect all transactions of Owner's business relating to the Property.

3. Except as otherwise provided hereunder, procuring, at Owner's expense and at the direction of Owner or the Owner's insurance brokers or insurance advisors, any insurance required or desirable in connection with Owner's business relating to the Property or the employees required to operate Owner's business relating to the Property and errors and omissions insurance for Manager, under which Owner shall be the sole beneficiary. Manager shall not settle any claim for a settlement amount in excess of \$100,000 without the approval of Owner.

4. Providing all general bookkeeping and accounting services required by the provisions of this Agreement at the expense of Manager. Any independent certified public accountant engaged by Manager shall be subject to the approval of Owner and all fees and expenses payable to such accountant shall be at Owner's expense. Manager shall maintain separate books and records in connection with its management of the Property under this Management Agreement, which books and records shall be kept in accordance with generally accepted accounting principles. Owner shall have the right to examine or audit the books and records at reasonable times and Manager will cooperate with Owner in connection with any such audit.

5. Investing funds not otherwise required to pay the costs of day-to-day maintenance and operation of the Property or in the operation of Owner's business pursuant to guidelines set by Owner.

6. Repairing, making replacements and maintaining the Property and all common areas at the Property and purchasing all materials and supplies that Manager deems necessary to repair and operate and maintain the Property, in order that the Property shall remain in good, sound and clean condition, and making such improvements, construction, changes and additions to the Property (including capital improvements), as Manager deems advisable, provided that Manager shall receive approval of Owner prior to undertaking any improvements, construction, changes or additions to the Property. Owner shall pay all fees, costs and expenses incurred by Manager in connection with the retention of outside contractors and suppliers for the Performance of all repairs, replacements and

maintenance of the Property. In the event that Owner decides to remodel or extensively refurbish the Property, or any part thereof. Manager shall be entitled to receive additional compensation for services required to be rendered by it for services such as supervision of construction and allocation of overhead expense (i) to the extent that tenants at the Property reimburse Owner for such costs and (ii) if such costs are not reimbursable by the tenants and such remodeling or refurbishment shall be on a significant scale and shall require significant work by the Manager, the amount of such additional compensation payable to Manager shall be equal to Manager's costs in connection with such work, plus twenty percent (20%) of Manager's costs.

7. Negotiating and executing contracts for the furnishing to the Property of all services and utilities, including electricity, gas, water, steam, telephone, cleaning, security, vermin extermination, elevator, escalator and boiler maintenance and any other utilities or services, including repairs and maintenance of the buildings, other improvements and common areas at the Property, or such of them as Manager deems advisable to assure that the Property shall be caused to be and remain in a good, sound and clean condition and properly operating. All fees, costs and expenses under the contracts shall be paid by Owner.

8. Sending rent bills to tenants of the Property and, subject to the terms of any loan or credit agreement entered into by Owner with a lender and affecting the Property, disbursing and paying from the rents, income and revenues of the Property, such amounts required to be disbursed or paid in connection with the repair, maintenance and operation of the Property and in the carrying out of Manager's duties. In the event that Manager shall determine that funds in the accounts are insufficient to make necessary disbursements or payments, Manager shall notify Owner promptly of the amount of such insufficiency. Promptly after (i) Owner receives such notice, or (ii) Owner independently determines that such funds are insufficient, Owner shall determine and notify Manager as to the order of priority in which disbursements and payments shall be made. Disbursements or payments shall include, but not be limited to, the following items:

a. all assessments and charges of every kind imposed by any governmental authority having jurisdiction (including real estate taxes, assessments, sewer rents and/or water charges) and, interest and penalties thereon; provided, however, that the interest or penalty payments shall be reimbursed by Manager to Owner if imposed by reason of delay in payment caused by Manager's gross negligence, willful misconduct, bad faith or material misapplication of funds (to the extent such material misapplication of funds is not covered by insurance) (collectively, "Malfeasance");

b. debt service on any loans secured by the Property;

c. license fees, permit fees, insurance appraisal fees, fines, penalties, legal fees, accounting fees incurred in the auditing of tenants'

books and records to establish and collect coverage or percentage rents, and all similar fees reasonably incurred in connection with the ownership, management or operation of the Property, provided, however, that any fines or penalties shall be reimbursed to Owner by Manager if imposed by reason of delay in payment caused by Manager's Malfeasance;

d. premiums on all policies of insurance;

e. salaries, wages and other related expenses, bonuses and fringe benefits for on-site personnel, service contracts, utilities, repairs, replacements, on-site administration expenses and Manager's compensation;

f. the Management Fee and any other sums payable hereunder to Manager;

g. contributions to merchants associations, if and as required by any outstanding agreements; and advertisement and public relations costs for promotional activities; and

h. any and all other expenses or costs that are customarily disbursed by managing agents of properties comparable to the Property or that are required in order for Manager to perform its duties.

In no event shall Manager be required to pay any bills or charges from its own funds, except as otherwise specifically provided herein.

9. [Intentionally Omitted]

10. Rendering such statements at such times and in such formats as Owner shall reasonably request and as shall be customary for properties comparable to the Property, including, without limitation, monthly cash flows, quarterly reports and operating statements and annual budgets as provided below.

11. Maintaining, at Manager's expense, insurance with reasonable deductibles, if any, for any and all claims or causes of action arising from bodily injury, disease or death of any of Manager's employees, agents, or representatives and for any and all claims or causes of action arising from Manager's negligence, infidelity or wrongful acts in connection with the performance of this Agreement, as well as employer's liability and worker's compensation for Managers employees and fidelity bonds for employees of Manager that handle funds and proceeds from the Property, in each case at customary levels of coverage.

12. Causing, at Owner's expense, all such acts and things to be done in or about the Property as shall be necessary to comply with all statutes, ordinances, laws, rules, regulations, orders and determinations, ordinary or extraordinary, foreseen or unforeseen of every kind or nature affecting or issued in connection with the Property by any governmental authority having jurisdiction thereof, as

well as with all such orders and requirements of the Board of Fire Underwriters, Fire Insurance Exchange, or any other body that may hereafter exercise similar functions (collectively, "Applicable Laws"). In the event that Manager's good faith estimate of the cost of complying with any Applicable Laws shall exceed \$100,000 in connection with the Property, Manager shall not take any action to comply with Applicable Laws without first obtaining the consent of Owner. Notwithstanding the foregoing, however, Owner shall have no obligation to pay for the expenses incurred in connection with compliance with Applicable Laws to the extent such costs are incurred due to Managers Malfeasance or material breach of this Agreement. Manager shall have the right to contest such Applicable Laws, and pending the final determination of the contest, Manager may withhold compliance, provided that Manager shall receive Owner's prior consent to so withhold compliance. Manager agrees to contest any Applicable Law Owner shall request Manager to contest.

13. Filing applications, in Manager's name (but only if Manager so elects) or in the name of Owner, but in any event at Owner's expense. for the reduction of real estate tax assessments and/or water charges and sewer rents, and/or for the cancellation or reduction of any other taxes, assessments, duties. imposts or other obligations of any nature imposed by law; and instituting any and all legal actions or proceedings in connection therewith; filing, settling, trying or appealing of all such applications and/or proceedings, upon such terms and conditions as Manager deems appropriate, provided, however, that Manager shall receive the consent of Owner prior to the institution or setting of any legal action or proceeding.

14. Taking, at Owner's expense and with the prior consent of Owner, any appropriate steps to protest and/or litigate to final decision in any appropriate court or forum any violation, order, rule or regulation affecting the Property.

15. Engaging, at Owner's expense, counsel, approved by Owner, and paying counsel fees and court costs and disbursements in connection with any proceedings involving the Property.

16. Assisting Owner in obtaining financing for the Property and complying with all terms, conditions and obligations of any lease, mortgage or other agreement, on behalf of Owner and at Owner's expense, that shall relate to any matters in connection with the rental, operation or management of the Property, unless prevented or delayed by strikes, riot, civil commotion, war, inability to obtain materials because of governmental restrictions or acts of God or public enemy, or any other cause beyond Manager's control.

17. Performing administrative services required in connection with managing the Property, including, without limitation, the following:

a. administration of tenants' insurance and enforcement of continuing coverage in accordance with the terms of the leases.

b. confirmation of lease commencement dates and termination dates.

c. liaison with the tenants as Owner's representative.

d. supervision of tenant litigation in conjunction with Owner's legal counsel.

e. obtaining sales volume reports from tenants and calculating and collecting percentage rents as a result of those reports.

f. providing necessary information to Owner for tax reporting, in a format reasonably approved by Owner and upon Owner's request, initiating together with Owner's counsel, property tax appeals.

g. providing quarterly financial statements, in a format reasonably approved by Owner, reflecting in reasonable detail the operating income and expense of the Property.

h. alerting Owner if tenant sales volume reports appear inaccurate and recommend audits.

i. reporting and making recommendations regarding unusual tenant problems requiring Owner's approval.

j. obtaining contractors to maintain, operate and provide security for the Property.

k. coordinating with any consultants retained by Owner in connection with the Property.

18. Preventing the use of the Property for any purpose that would void any insurance policy covering the Property, or that would render any loss thereunder uncollectible, or that would be in violation of any governmental restriction, any tenant lease or any reciprocal easement agreement.

B. Owner shall be responsible for, and shall indemnify Manager against, all costs incurred in connection with the operation and management of the Property, except to the extent such costs are incurred in connection with Managers Malfeasance or material breach of this Agreement, and all past, present and future liabilities of Owner, including, without limitation:

1. all outside professional fees, including attorneys, accountants and architects;

2. taxes;

3. insurance (other than workers' compensation insurance for Manager's employees and as otherwise provided herein), including retiree health liability insurance and directors' and officers' liability insurance;

4. fees and expenses applicable to Owner;

5. costs that are, at the discretion of Owner, for services not included in this Management Agreement, including, without limitation, salaries and other expenses of employees (other than employees of Manager) performing services for Owner in connection with the operation and management of the Property.

ARTICLE V

Annual Budget

A. On or before the beginning of each fiscal year of Alexander's Inc., Manager shall prepare and submit to Owner a proposed budget (hereinafter referred to as the "Proposed Budget") of the estimated operating and capital expenses of the Property for the next fiscal year or such other operating period as may be agreed to by the parties.

B. Owner shall have the right to approve or disapprove the Proposed Budget. The final budget for the fiscal year is referred to as the "Approved Budget" in this Agreement. The Approved Budget shall be subject to quarterly comparisons and revisions, which revisions the Manager and Owner mutually shall agree to be appropriate. all such revisions as approved by Owner shall be considered part of the "Approved Budget". Manager shall make expenditures without the specific approval of Owner if:

1. The expenditure (or group of related expenditures) has been generally identified in an Approved Budget line item and exceeds the amount shown in respect thereof in such budget line item by no more than ten percent (10%).

2. The expenditure (or group of related expenditures) has not been generally identified in the Approved Budget but does not exceed \$100,000.

3. The expenditure (or group of related expenditures) exceeds \$100,000 and was either not anticipated or exceeded the Approved Budget by more than ten percent, but is not discretionary.

4. The expenditure is required by a condition or situation that in Manager's professional judgment constitutes an emergency. In any case where an emergency situation exists that is of serious financial or physical consequence, Manager may act in the best interest of Owner, but Manager shall attempt to notify Owner prior to making the expenditure, but in any event, Manager shall report verbally the making of the expenditure to Owner no later than 24 hours after the occurrence of the emergency.

ARTICLE VI

Owner to Execute Documents

Owner covenants and agrees that wherever in this Agreement it is provided that Manager may take any action in the name of or on Owner's behalf, Owner will promptly execute any documents that may be required by Manager for the purposes of carrying out any of Manager's functions as same are set forth.

ARTICLE VII

Assignment; Cancellation

A. Neither Owner nor Manager shall assign this Agreement or any of its rights hereunder without the consent of the other party; provided, however, that Manager shall have the right to assign its rights and delegate its duties under this Agreement to any Specified Vornado Affiliate (as defined herein) without the consent of Owner, provided that, (a) in connection with any such assignment, Vornado Realty Trust provides to Owner a guarantee, in form and substance reasonably satisfactory to Owner, of the duties and obligations of the Specified Vornado Affiliate under this Agreement and agrees, to the extent necessary, to make available to the Specified Vornado Affiliate the resources of Vornado Realty Trust for the purposes of carrying out such duties and obligations, (b) notwithstanding any such assignment to a Specified Vornado Affiliate, the indemnification of Owner by Manager set forth in Article X hereof shall remain the obligation of Vornado Realty Trust, and (c) references to the standard of care, customarily provided services and reporting standards applicable to Manager in performing its duties under this Management Agreement shall be of the same standard of care and reporting standards applicable to Vornado Realty Trust in connection with property owned by Vornado Realty Trust. For purposes of this Article VII, "Specified Vornado Affiliate" shall mean Vornado Realty L.P. or Vornado Realty Trust or any entity which directly or indirectly controls either of them, is directly or indirectly controlled by either of them or is under direct or indirect common control with either of them.

B. In the event that there is a change of control of Vornado Realty Trust or Manager after the date of this Agreement, Owner shall have the right to terminate this Agreement if Owner shall determine that such change of control is reasonably likely to have a material adverse effect on the ability of Manager to perform its obligations under this Agreement.

C. This Agreement shall be non-cancelable, except as permitted by the terms of this Agreement.

ARTICLE VIII

Breach; Termination

A. If either party shall commit a material breach of this Agreement, the other party shall serve written notice upon the allegedly breaching party, and the notice shall set forth

the details of such alleged breach. Owner covenants and agrees that Manager shall not be deemed to have committed a material breach of this Agreement unless Manager wilfully violates any provision hereof, is grossly negligent in the observance or performance of any of its obligations hereunder, acts in bad faith in connection with its duties under this Agreement, or materially misapplies any funds received from the Property (to the extent not covered by insurance).

B. Owner shall, within ten (10) days after its receipt of said notice, cure such breach unless it disputes the claim as set forth in Paragraph D of this Article VIII. If Owner does not cure within such ten-day period, Manager shall have the right, but not the obligation, to cease providing services hereunder until the breach shall be cured. In the event that Manager shall cease providing services hereunder pursuant to this Paragraph, Owner shall have the right to terminate this Agreement and replace Manager in which event Manager promptly shall deliver to Owner all books and records with respect to the Property of Owner that are in Manager's possession and otherwise comply with paragraph H below, and upon its receipt of any outstanding payments due to it, shall cooperate with the successor Manager to effect a smooth transition in the management and operation of the Property.

C. Manager shall, within thirty (30) days after its receipt of a notice under Paragraph A of this Article VIII, cure such breach unless it disputes the claim as set forth in Paragraph D of this Article VIII; or if said breach cannot be cured within said thirty (30) day period, Manager shall within said time period commence and thereafter diligently and continuously proceed with all necessary acts to cure such breach, subject to the terms of any loan documents and other material agreements affecting the Property. If Manager shall fail within said time period to cure the said breach, Owner shall have the right, by sending a second written notice to Manager, to terminate this Agreement effective immediately or as of a particular date which shall be specified in said second notice.

D. If the party who receives the notice of breach shall, within five (5) days after receipt of such notice, send the notifying party a written notice disputing the claim of material breach and demanding arbitration thereof, then the parties hereto hereby agree that the dispute shall be submitted promptly by them to the American Arbitration Association for the City of New York for determination in accordance with its rules, and such determination shall be binding upon both parties. During the pendency of said arbitration, Manager shall continue to perform all of its obligations as Manager under this Agreement. If it is determined that the party did commit a breach, then the breach shall be cured within ten (10) days after service of a copy of the award or determination on the breaching party; and if not so cured, this Agreement shall be terminated.

E. If, at any time during the term of this Agreement, there shall be filed against either of the parties hereto in any court, pursuant to any statute either of the United States or any state, a petition in bankruptcy or insolvency or for reorganization of or for the appointment of a receiver or trustee of all or a portion of the property of either party, and such petition is not discharged within thirty (30) days after the filing thereof, or if either party makes an assignment for the benefit of creditors, or petitions for or enters into an arrangement, or permits this Agreement to be taken under any writ of execution or attachment, then in any of

such events, the other party hereto shall have the right to terminate this Agreement by giving written notice, by certified mail, effective as of a particular date specified in said notice.

F. Manager and Owner shall each have the further right to terminate this Agreement or any portion or provision thereof or activity thereunder on not less than thirty (30) days' prior written notice to the other party if Manager or Owner shall determine in good faith that this Agreement shall or may deprive Manager or Alexander's, Inc. of any benefits appurtenant to that Party's future qualification as a REIT under all applicable laws, including, without limitation, the Internal Revenue Code of 1986, as amended from time to time (the "Code"), or continued benefits if that party is a REIT.

G. Upon full or partial termination, or expiration of this Agreement, all of the obligations of either party to the other shall terminate immediately except (i) Manager shall comply with the applicable provisions of Subsection H below, (ii) Owner shall pay to Manager all Management Fees and expenses earned and/or due hereunder to the date of termination or expiration and (iii) as otherwise expressly stated herein. Upon any termination of any portion, provision or activity of or under this Agreement, the provisions of the preceding sentence shall apply in respect of the terminated portion, provision or activity. Owner shall pay Manager any amount owed to Manager under this Agreement within 30 days after any termination of this Agreement.

H. Notwithstanding anything to the contrary contained elsewhere herein, in the event that the Management and Development Agreement dated February 6, 1995 between Alexander's Inc. and Vornado Realty Trust is terminated for any reason, Owner shall have the option to terminate this Management Agreement upon written notice to Manager given at least three months prior to such termination.

I. Upon the expiration or earlier termination or partial termination of this Agreement with respect to any part of or the entire Property, Manager shall:

1. Deliver to Owner, or such other person or persons designated by Owner, all books and records of the Property and all funds in its possession belonging to Owner or received by Manager pursuant to this Agreement with respect to the Property, together with all leases and all other contracts related to the Property; provided, however, that Manager shall have the right to keep a copy of all such records: and

2. Assign, transfer or convey to Owner, or such other person or persons designated by Owner, all service contracts and personal property of Owner relating to or used in the operation or maintenance of the Property. Upon the expiration or termination of this Agreement, Manager shall render a full account to Owner and shall deliver to Owner a statement outlining in detail all management fees due to Manager hereunder with respect to the Property, shall cause the net amount of any funds held by Manager in connection with the Property to be delivered to Owner and shall cooperate with Owner in the transition by Owner to a replacement property manager, if applicable.

Owner shall compensate Manager for all costs and expenses incurred by Manager in good faith in connection with the transition of the management of the Property from Manager to any new manager.

ARTICLE IX

No Joint Venture

It is the intent of this Agreement to constitute Manager as an independent contractor and as agent of Owner under any contract entered into by Manager on behalf of Owner in accordance with the terms of this Agreement, and this Agreement shall be so construed and Manager agrees at all times to act in conformity therewith. Nothing herein contained shall be deemed to have created, or be construed as having created any joint venture or partnership relationship between Owner and Manager. At all times during the performance of its duties and obligations arising hereunder, Manager shall be acting as an independent contractor.

ARTICLE X

Indemnity

A. Owner shall, to the fullest extent permitted by applicable law, indemnify, defend and hold harmless Manager, its officers, directors, trustees, partners, agents, employees and representatives against any losses, claims, damages or liabilities to which such person may become subject in connection with any matter arising out of or in connection with this Agreement, except for any loss, claim, damage or liability caused by Manager's Malfeasance. If Manager becomes involved in any capacity in any action, proceeding or investigation in connection with any matter arising out of or in connection with this Agreement, Owner shall reimburse Manager for Manager's legal and other expenses (including the cost of any investigation and preparation) as they are incurred in connection therewith; provided, however, that Manager shall promptly repay to Owner the amount of any such reimbursed expenses paid to it to the extent that it shall ultimately be determined that Manager, its officers, directors, trustees or agents were not entitled to be indemnified by Owner in connection with such action, proceeding or investigation.

B. Manager shall indemnify, defend and hold harmless Owner and each of their respective officers, directors, trustees, partners, representatives, employees and agents from and against any and all claims, losses, damages or liabilities, to which such person may become subject and arising out of Manager's Malfeasance or the Malfeasance of any of its employees, representatives or agents in performing its or their duties under this Agreement, except to the extent caused by the Malfeasance of Owner or any of their respective officers, directors, trustees, shareholders, partners, representatives, employees or agents. If Owner becomes involved in any capacity in any action, proceeding or investigation in connection with any matter arising out of or in connection with this indemnity, Manager shall reimburse Owner for Owner's legal and other expenses (including the cost of any investigation and preparation) as they are incurred in connection therewith; Provided, however, that Owner shall promptly repay to Manager the amount of any such reimbursed expenses paid to it to the extent that it shall ultimately be determined that Owner, its officers, directors, trustees or agents were not entitled to be

indemnified by Manager in connection with such action, proceeding or investigation. Notwithstanding anything contained herein, Manager's liability hereunder shall be limited (except to the extent covered by insurance) to the aggregate amount of the Management Fee received by Manager as of the date such liability is determined.

C. The terms of this Article X shall survive the expiration or termination of this Agreement.

ARTICLE XI

Notices

Any and all notices, consents or directives by either party intended for the other shall be in writing sent by hand delivery or reputable overnight courier service to the respective addresses first herein set forth in this Agreement, unless either party shall have designated different addresses. by serving written notices of change of addresses on the other party by registered or certified mail, return receipt requested.

ARTICLE XII

Miscellaneous

A. This Agreement cannot be changed or modified, varied or altered except by an agreement, in writing, executed by each of the parties hereto. This Agreement constitutes all of the understandings and agreements of whatsoever kind or nature existing between the parties in connection with the relationship created herein.

B. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

C. Neither Owner nor Manager shall make (and each hereby waives) any claim against the other party's directors personally or against the other party's trustees, beneficiaries or shareholders personally. Manager shall (and is hereby authorized to) insert in all leases, documents and agreements executed by it on behalf of Owner, a provision that Manager's directors, trustees, beneficiaries or shareholders shall not be personally liable thereunder.

D. Owner shall have the right to collaterally assign this Agreement to a lender providing financing to Owner, and Manager agrees to execute and deliver a recognition agreement, in a commercially reasonable form, providing that (a) such lender may assume Owner's interest in this Agreement without obligation for payment of any fees accrued and payable to Manager for a time prior to such assumption or with respect to performance of any obligation relating to a time prior to such assumption, (b) Manager will perform the services set forth herein for so long as such lender continues to perform the obligations of Owner hereunder unless Manager elects, at any time, to give such lender a fifteen (15) day termination notice, in which event Manager's obligations shall terminate as of the date stated in such termination notice, and (c) any termination hereof by the lender other than in accordance with the terms of this Agreement (as opposed to in accordance with the recognition agreement) shall not relieve Owner of its obligations hereunder. In no event shall an assumption by the lender under such a

recognition agreement release Owner from its obligation hereunder with respect to accrued fees or otherwise.

E. Any approval or consent required by or requested of Owner pursuant to the terms of this Agreement may be withheld in the sole and absolute discretion of Owner, unless otherwise expressly provided.

F. Manager and Owner hereby expressly acknowledge and agree that any third party engaged in accordance with the terms of this Agreement to perform any of the services contemplated hereunder shall be at Owner's expense.

G. Owner and Manager acknowledge that nothing contained in this agreement shall restrict or otherwise affect the rights of Vornado Realty Trust or any affiliate thereto in connection with any loan facility provided by Vornado Realty Trust or such affiliate to Alexander's, Inc. and/or its subsidiary.

H. Anything contained in this Agreement to the contrary notwithstanding, Manager's agreement to undertake the obligations set forth in this Agreement shall not constitute or be deemed to constitute an express or implied warranty concerning the general affairs, financial position, stockholders' equity, financial results of operations or prospects of Owner.

ARTICLE XIII

Declaration of Trust

A. Manager shall use every reasonable means to assure that all persons having dealings with Manager shall be informed that no trustee, shareholder, officer or agent of Manager shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise in connection with the affairs of Owner, but the trust estate only shall be liable. Manager recognizes and agrees that every agreement or other written instrument entered into by Manager on behalf of Owner shall contain a provision stating the above limitation.

B. Manager represents, warrants and agrees that neither it nor any affiliated or related person or entity (including any person or entity owning any interest in Manager) is now, or shall become during the term of this Agreement, a borrower of any funds advanced by Alexander's, and Manager shall advise Alexander's promptly, in writing, should such representation and warranty become untrue. Manager shall, from time to time, furnish such information as may reasonably be requested by Owner in order to facilitate Alexander's qualification as a REIT under the Code.

ARTICLE XIV

Continued Qualification as a REIT

A. Manager shall make reasonable efforts not to enter into any agreement (including, without being limited to, any agreement for the furnishing of non-customary services), without the consent of Alexander's, with any tenant or other occupant of the Property,

that would result in (A) the disqualification of Alexander's as a REIT entitled to the benefits of Section 856 et seq., of the Code, (B) the imposition of any penalty or similar tax on Alexander's (including, without being limited to, the tax imposed on the failure to meet certain income requirements under Section 857(b)(5) of the Code and the tax imposed on income from prohibited transactions under Section 857(b)(6) of the Code) or (C) any part of the rental or other consideration paid thereunder by such tenant or occupant to Alexander's, or to Manager on behalf of Alexander's, being held not to constitute either "rents from real property" or "interest on obligations secured by mortgages on real property or on interests in real property" or "interest on obligations secured by mortgages on real property or on interest in real property" or other income described in Sections 856(c)(2) and (c)(3) of the Code.

B. Manager shall cause Alexander's Inc. to make reasonable efforts to assure, by prior review of agreements to be entered into by Manager, that no such agreement contains provisions that would result in the disqualification of Alexander's as a REIT entitled to the benefits of Section 856 et seq. of the Code, receipt by the Owner of non-qualifying income, or imposition of a penalty or similar tax (including, without being limited to, the tax imposed on the failure to meet certain income requirements under Section 857(b)(5) of the Code and tax imposed on income from prohibited transactions under Section 857(b)(6) of the Code), and specifically agrees that Manager shall be entitled to rely upon the advice of Alexander's designated counsel as to any such matter; provided, however, that, without regard to whether such review has been performed or advice rendered, if any document or other written undertaking entered into or made by or on behalf of Owner or any constituent entity of Owner shall, in the reasonable opinion of counsel to Alexander's, contain any provision that would result in a significant risk of the disqualification of Alexander's as a REIT, receipt by Alexander's of non-qualifying income, imposition on Alexander's of any penalty or similar tax (including, without being limited to, the tax imposed on the failure to meet certain requirements under Section 857(b)(5) of the Code and the tax imposed on income from prohibited transactions under Section 857(b)(6) of the Code), all as provided for in said Section 856 et seq., then:

(i) such provision shall promptly be amended or modified, to the reasonable satisfaction of counsel to Alexander's so as to remove the risk of such result, such amendment or modification to be retroactive to the date of such document or other undertaking, or to a date approved by counsel to Alexander's; or

(ii) if a satisfactory amendment or modification cannot be agreed upon as set forth in clause (i) above, any such document or other undertaking shall be terminated by Alexander's, such termination to be retroactive to the date of such document or other undertaking, or to a date approved by counsel to Alexander's, and effective as to all terms and provisions of such document or other undertaking, except such provisions thereof as call for the making of any distribution or the payment of any compensation to any third party, for the purpose of which provisions, the termination date shall be deemed to be without retroactive effect.

C. Manager agrees that it shall cooperate with Owner in accomplishing a satisfactory amendment or modification of any such document or other undertaking, or the termination thereof, and shall, on request, execute and deliver any and all agreements and other documents reasonably required to effect such amendment or modification, or such termination. Manager shall submit any agreement proposed to be entered into by or on behalf of Owner to Owner's designated counsel for review a reasonable period of time prior to the proposed execution of such agreement.

IN WITNESS WHEREOF, the parties hereto have hereunto executed this Agreement as of the 31 day of May, 2001.

OWNER:

ALEXANDER'S KINGS PLAZA, LLC

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President

MANAGER:

VORNADO MANAGEMENT CORP.

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President

EXHIBIT A

"KINGS PLAZA PROPERTY"

Address:

2567/2569 Flatbush Avenue, Brooklyn, New York

(includes store and parking garage)

Tax Map Designation:

Block: 8470 Lot: p/o lot 1, 50 and 55

County: New York

County: Kings

State: New York

FIRST AMENDMENT OF LEASE

THIS FIRST AMENDMENT OF LEASE, dated as of the 19 day of April, 2002, by and between SEVEN THIRTY ONE LIMITED PARTNERSHIP ("731"), a New York limited partnership, having an address c/o Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652, and BLOOMBERG L.P. ("BLP"), a Delaware limited partnership, having an address at 499 Park Avenue, New York, New York 10022.

WITNESSETH :

WHEREAS, pursuant to an Agreement of Lease (the "Original Lease"), dated as of April 30, 2001, between 731, as landlord, and BLP, as tenant, 731 leased and demised to BLP, and BLP did hire and take from 731, certain premises in a new building that 731 intends to construct at the real property bounded by Lexington Avenue, East 58th Street, East 59th Street and Third Avenue, New York, New York, on the terms and subject to the conditions set forth therein; and

WHEREAS, pursuant to a letter agreement, dated December 20, 2001, between 731 and BLP, the parties agreed to amend Section 22.4(B)(2) of the Original Lease, on the terms set forth therein; and

WHEREAS, pursuant to a letter agreement, dated January 30, 2002, between 731 and BLP, the parties agreed to further amend Section 22.4(B)(2) of the Original Lease, on the terms set forth therein (the Original Lease, as so amended by the aforesaid letter agreements, being referred to herein as the "Lease"); and

WHEREAS, 731 and BLP desire to amend the Lease to (i) delete from the premises initially demised thereby the entire rentable area on the twentieth (20th) and the twenty- first (21st) floors of the Lexington Avenue Building, (ii) add to the premises initially demised thereby the entire rentable area on the third (3rd) floor of the Third Avenue Building, and (iii) otherwise modify the Lease, in each case on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the mutual receipt and legal sufficiency of which the parties hereto hereby acknowledge, 731 and BLP hereby agree as follows:

1. Defined Terms. Capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed thereto in the Lease.

2. Lease Modifications. Landlord and Tenant hereby amend the Lease as follows:

- (1) The Base Premises shall include (in addition to the portions of the Building that are included therein as set forth in the Lease) the third (3rd) floor of the Third Avenue Building, other than the portion thereof that is

used for Remote Building Systems or for Shared Building Systems (such area on the third (3rd) floor of the Third Avenue Building that is included in the Base Premises being referred to herein as the "New Space").

- (2) The New Space shall constitute a Deliverable Unit for purposes of the Lease.
- (3) The First Delivery Component shall include (in addition to the portions of the Building that are included therein as set forth in the Lease) the New Space.
- (4) The reference to "the twenty-first (21st) floor of the Lexington Avenue Building" as set forth in definition of the term "Highest Basic Floor" is hereby deleted, and the clause "the nineteenth (19th) floor of the Lexington Avenue Building" is hereby substituted therefor.
- (5) The New Space shall constitute a Major Sublease Unit for purposes of the Lease.
- (6) Clauses (xviii) and (xix) are hereby deleted from the definition of the term "Major Sublease Unit" as set forth in the Lease.
- (7) The clause "twenty-second (22nd) floor of the Building" in clause (xxi) of the definition of the term "Major Sublease Unit" is hereby deleted, and the clause "twentieth (20th) floor of the Lexington Avenue Building" is hereby substituted therefor.
- (8) The definition for the term "Post-Delivery Work" is hereby deleted, and the following clause is hereby substituted therefor:

"Post- Delivery Work" shall mean, collectively, (a) the Timed Post- Delivery Work Components, and (b) any other Work Component that this Lease (including, without limitation, the Work Exhibit) (I) requires Landlord to perform after the Commencement Date for the applicable Deliverable Unit, or (II) does not require Landlord to perform on or prior to the Commencement Date for the applicable Deliverable Unit.
- (9) The following clause is hereby added to the list of defined terms in the Lease:

"Fourth Price Space" shall mean the portion of the Initial Premises that is located on the third (3rd) floor of the Third Avenue Building.

- (10) The reference in the definition of the term "Third Price Space" to the twentieth (20th) floor and the twenty-first (21st) floor of the Lexington Avenue Building is hereby deleted.
- (11) The Fixed Rent for the 1st Rental Period shall include (in addition to the items set forth in the Lease) an amount equal to the product obtained by multiplying (I) Fifty-Four Dollars (\$54.0000), by (II) the number of square feet of Rentable Area in the Fourth Price Space.
- (12) The Fixed Rent for the 2nd Rental Period shall include (in addition to the items set forth in the Lease) an amount equal to the product obtained by multiplying (I) Fifty-Nine and 9,400/10,000 Dollars (\$59.9400), by (II) the number of square feet of Rentable Area in the Fourth Price Space.
- (13) The Fixed Rent for the 3rd Rental Period shall include (in addition to the items set forth in the Lease) an amount equal to the product obtained by multiplying (I) Sixty-Six and 5,334/10,000 Dollars (\$66.5334), by (II) the number of square feet of Rentable Area in the Fourth Price Space.
- (14) The Fixed Rent for the 4th Rental Period shall include (in addition to the items set forth in the Lease) an amount equal to the product obtained by multiplying (I) Seventy-Three and 8,521/10,000 Dollars (\$73.8521), by (II) the number of square feet of Rentable Area in the Fourth Price Space.
- (15) The Fixed Rent for the 5th Rental Period shall include (in addition to the items set forth in the Lease) an amount equal to the product obtained by multiplying (I) Eighty-One and 9,758/10,000 Dollars (\$81.9758), by (II) the number of square feet of Rentable Area in the Fourth Price Space.
- (16) The Fixed Rent for the 6th Rental Period shall include (in addition to the items set forth in the Lease) an amount equal to the product obtained by multiplying (I) Ninety and 9,931/10,000 Dollars (\$90.9931), by (II) the number of square feet of Rentable Area in the Fourth Price Space.
- (17) The Fixed Rent for the 7th Rental Period shall include (in addition to the items set forth in the Lease) an amount equal to the product obtained by multiplying (I) One Hundred One and 24/10,000 Dollars (\$101.0024), by (II) the number of square feet of Rentable Area in the Fourth Price Space.
- (18) The definition of the term "Base Rental Amount" as set forth in Section 38.1(E) of the Lease is hereby amended by adding the following clause (5) thereto:
 - (5) in connection with the determination of the Rental Value of any portion of the Renewal Premises that constitutes Fourth Price

Space for the Renewal Term, the product obtained by multiplying (x) the number of square feet of Rentable Area in such portion of the Renewal Premises, by (y) (a) One Hundred One and 24/10,000 Dollars (\$101.0024) for the period from the first day of the Renewal Term to the day immediately preceding the twenty-eighth (28th) anniversary of the Last Commencement Date, (b) One Hundred Twelve and 1,126/10,000 Dollars (\$112.1126) for the period from the twenty-eighth (28th) anniversary of the Last Commencement Date to the day immediately preceding the thirty- second (32nd) anniversary of the Last Commencement Date, and (c) One Hundred Twenty-Four and 4,450/10,000 Dollars (\$124.4450) for the period from the thirty-second (32nd) anniversary of the Last Commencement Date to the last day of the Renewal Term.

- (19) Clause (i) of the definition of the term "Rent Per Square Foot" in Section 12.7(B)(2) of the Lease is hereby deleted, and the following clause is hereby substituted therefor:
- (i) with respect to the First Price Space, the Second Price Space, the Third Price Space or the Fourth Price Space, the sum of (I) the amount applicable at such time, as set forth on Exhibit Definitions-A attached hereto, and (II) the Escalation Rent Per Square Foot.
- (20) Exhibit Definitions-A to the Lease is hereby deleted, and the schedule set forth in Exhibit "A" attached hereto and made a part hereof is hereby substituted therefor.
- (21) Section 2.1 of the Lease is hereby modified by deleting the last sentence thereof. Landlord shall not have the right to claim that the use of the Premises by a Permitted Occupant at an occupancy density that conforms with the parameters set forth on Exhibit "B" attached hereto and made a part hereof is, in and of itself, not in conformity with the Building Standard.
- (22) The clause in the first sentence of Section 2.3(C) of the Lease "the twenty- second (22nd) floor of the Building" is hereby deleted, and the clause "the twentieth (20th) floor of the Building" is hereby substituted therefor.
- (23) Section 2.5(A)(e) of the Lease is hereby modified to delete therefrom the phrase "Post-Delivery Date" and to substitute therefor the phrase "Post- Delivery Work Date."

- (24) The references in the definition of the term "Tower Premises" to the twentieth (20th) floor and the twenty-first (21st) floor of the Lexington Avenue Building are hereby deleted.
- (25) The Third Floor Deck shall include the slab and decking constituting the floor of the portion of the Premises located on the third (3rd) floor of the Lexington Avenue Building and the third (3rd) floor of the Third Avenue Building.
- (26) Section 3.10 of the Lease is hereby modified by deleting the last sentence thereof and substituting the following sentence therefor:
- This Section 3.10 shall not apply during any period after the Last Commencement Date that (i) the Rentable Area on the third (3rd) floor of the Lexington Avenue Building is not demised hereby (with respect to the portion of the Third Floor Deck in the Lexington Avenue Building), and (ii) the Rentable Area on the third (3rd) floor of the Third Avenue Building is not demised hereby (with respect to the portion of the Third Floor Deck in the Third Avenue Building).
- (27) Notwithstanding Section 22.1(E)(1) of the Lease, Landlord shall have the right to cause the Commencement Date for the New Space to occur later than the Commencement Date for the Deliverable Unit constituting the fourth (4th) floor in the Third Avenue Building (with the understanding, however, that the Commencement Date for the New Space shall not occur later than the Commencement Date for the Deliverable Unit constituting the fifth (5th) floor of the Third Avenue Building).
- (28) Section 22.1(E)(11) of the Lease is hereby modified by deleting the reference therein to "the Lexington Avenue Building" and substituting therefor a reference to "the Lexington Avenue Building or the Third Avenue Building".
- (29) Section 22.3(F)(4) of the Lease is hereby modified to delete therefrom the phrase "during the calendar month of September, 2004" and to substitute therefor the phrase "on or after September 1, 2004."
- (30) Section 22.7(A) of the Lease is hereby modified to delete therefrom the definition of the term "Timed Post-Delivery Work Components", and to substitute therefor the following clause:
- As used herein, the term "Timed Post-Delivery Work Components" shall mean, collectively, (I) the Work Components listed in the Technical Requirements that comprise part of the Work Exhibit that, according to the corresponding entry in the column entitled "Delivery of Landlord's

Work," are contemplated to be performed within a particular period of time after the First Commencement Date or the Commencement Date for a particular Deliverable Unit, and (II) those Work Components described in the Lease that are contemplated to be performed within a particular period of time after the First Commencement Date or the Commencement Date for a particular Deliverable Unit.

- (31) The clause in the second sentence of Section 22.14(D) of the Lease "space on the ground level or the second (2nd) floor of the Third Avenue Building" is hereby deleted, and the clause "space on the ground level of the Third Avenue Building" is hereby substituted therefor.
- (32) Section 25.2 of the Lease is hereby modified by adding the following sentence:
- A Construction Notice shall be deemed to be given properly by Tenant if such notice is given, in the manner set forth in this Section 25.2, by Keith Barr, Stephen Karafiol, or Thomas Philip, or such other Person that Tenant designates from time to time.
- (33) If Landlord exercises Landlord's right to consummate (x) a Sublease Recapture pursuant to Section 12.16(A) of the Lease, or (y) a Subleasehold Assignment Recapture pursuant to Section 12.16(B) of the Lease, then Landlord shall have the right to exercise Landlord's rights to use the Recovered Elevators under Section 27.1(B) of the Lease only for the term of the applicable sublease (rather than for the portion of the Term that remains from and after the date that Landlord consummates such Sublease Recapture of such Subleasehold Assignment Recapture).
- (34) The reference to "the twenty-second (22nd) floor of the Lexington Avenue Building" in clause (i) of the definition of the term "Upper Option Space" in Section 36.1 of the Lease is hereby deleted, and a reference to "the twentieth (20th) floor of the Lexington Avenue Building" is hereby substituted therefor.
- (35) Each reference to "the second (2nd) floor of the Building" in the definition of the term "Lower Option Space" in Section 36.1 of the Lease is hereby deleted, and a reference to "the second (2nd) floor of the Lexington Avenue Building" is hereby substituted therefor.
- (36) The reference in the definition of the term "Shortage Floor" in Section 36.11(A) of the Lease to "the twenty-second (22nd) floor of the Lexington Avenue Building" is hereby deleted, and a reference to "the twentieth (20th) floor of the Lexington Avenue Building" is hereby substituted therefor.

- (37) The reference in Section 36.11(A) of the Lease to Exhibit Definitions-E is hereby deleted, and a reference to Exhibit Definitions-A is hereby substituted therefor.
- (38) The first sentence of Section 36.11(B) of the Lease is hereby deleted, and the following sentence is hereby substituted therefor:
- Subject to the terms of this Section 36.11(B), Tenant shall have the right to include in the Tower Premises either (x) the entire Rentable Area on the twentieth (20th) floor of the Lexington Avenue Building, (y) the entire Rentable Area on the twentieth (20th) floor of the Lexington Avenue Building and on the twenty-first (21st) floor of the Lexington Avenue Building, or (z) the entire Rentable Area on the twentieth (20th) floor of the Lexington Avenue Building, the twenty-first (21st) floor of the Lexington Avenue Building, and the twenty-second (22nd) floor of the Lexington Avenue Building, by giving notice thereof (the "Early Option Notice") to Landlord on or prior to June 30, 2002 (Tenant's aforesaid option to lease such space in the Lexington Avenue Building as provided in this Section 36.11(B) being referred to herein as the "Early Option").
- (39) The fourth sentence of Section 36.11(B) of the Lease is hereby deleted, and the following sentence is hereby substituted therefor:
- If Tenant exercises the Shortage Option prior to the date that Tenant exercises the Early Option, then the aforesaid space with respect to which Tenant has the right to exercise the Early Option shall be either (x) the entire Rentable Area on the twenty-first (21st) floor of the Lexington Avenue Building, (y) the entire Rentable Area on the twenty-first (21st) floor of the Lexington Avenue Building and on the twenty-second (22nd) floor of the Lexington Avenue Building, or (z) the entire Rentable Area on the twenty-first (21st) floor of the Lexington Avenue Building, on the twenty-second (22nd) floor of the Lexington Avenue Building, and on the twenty-third (23rd) floor of the Lexington Avenue Building.
- (40) The reference to Exhibit Definitions-E in Section 36.11(B) of the Lease is hereby deleted, and a reference to Exhibit Definitions-A is hereby substituted therefor.
- (41) The definition of the term "High Rise Portion" as set forth in Section 36.11(C) of the Lease shall be the portion of the Building at and above the twentieth (20th) floor of the Building that is served by the High Rise Office Elevators.
- (42) Clause (y) in the first sentence of Section 37.1(B) of the Lease is hereby deleted, and the following clause is hereby substituted therefor:

(y) (I) the entire portion of the Lower Level Space that is located on Lower Level 2 of the Building, (II) the entire portion of the Basic Premises that is then located on the third (3rd) floor of the Lexington Avenue Building (if any), (III) the entire portion of the Basic Premises that is then located on the third (3rd) floor of the Third Avenue Building (if any), and (IV) additional portions of the Basic Premises above the third (3rd) floor of the Building that (X) constitute all of the Rentable Area on particular floors of the Building, and (Y) are vertically contiguous to portions of the Basic Premises for which Tenant exercises the Renewal Option, so that the portion of the Premises with respect to which Tenant exercises the Renewal Option comprises at least Three Hundred Fifty Thousand (350,000) square feet of Rentable Area.

- (43) Landlord and Tenant acknowledge that for purposes of determining the Fair Market Rent of the New Space, Landlord and Tenant shall assume that such space is being valued as office space (it being understood that the Fair Market Rent for the New Space shall be otherwise determined in accordance with the terms of Section 38.2 of the Lease).
- (44) The references to the twentieth (20th) floor of the Building and the twenty-first (21st) floor of the Building in Item 8 of the Architectural Requirements that comprise part of the Work Exhibit are hereby deleted.
- (45) Item 9 of the Architectural Requirements that comprise part of the Work Exhibit is hereby amended to provide that the High Rise Office Elevators shall serve (in addition to the floors set forth therein) the nineteenth (19th) and the twentieth (20th) floors of the Building.
- (46) The reference in Item 24 of the Architectural Requirements that comprise part of the Work Exhibit to "the 22nd floor of the Building" is hereby deleted, and a reference to "the 20th floor of the Building" is hereby substituted therefor.
- (47) Item 25 of such Architectural Requirements is hereby deleted. Landlord and Tenant acknowledge that (i) the emergency egress capacity of the portion of the Initial Premises that is located at and below the nineteenth (19th) floor of the Building (and the twentieth (20th) floor of the Building, if Tenant exercises the Shortage Option) shall be sufficient to support the occupancy density described in Exhibit "B" attached hereto, (ii) the additional work that is necessary to achieve such emergency egress capacity (over the work that is necessary to achieve emergency egress capacity of one (1) person for each eighty (80) square feet of Usable Area) shall be a Tenant Work Component (such additional work being collectively referred to herein as the "Egress Capacity Work"), (iii) the Fixed Rent shall be increased to reflect the additional space used by the

emergency egress staircase on the second (2nd) floor of the Lexington Avenue Building (at the rate of One Hundred Twenty-Five Dollars (\$125) per square foot of Usable Area, increasing by eleven percent (11%) on each fourth (4th) anniversary of the Last Commencement Date), and (iv) the Fixed Rent shall be increased to reflect the additional space used by the emergency egress staircase on the ground floor of the Building (at the rate of Three Hundred Dollars (\$300) per square foot of Usable Area, increasing by eleven percent (11%) on each fourth (4th) anniversary of the Last Commencement Date). Landlord shall have the right to require Tenant to pay the cost of the Egress Capacity Work (as otherwise provided in Section 22.2 of the Lease) only if (i) Landlord gives Tenant a notice (or notices) describing in reasonable detail the components of the Work that constitute the Egress Capacity Work, and (ii) Tenant fails to give to Landlord, within ten (10) days after the date that Landlord gives to Tenant the aforesaid notice (or each of the aforesaid notices, as the case may be), a notice to the effect that Tenant revokes Tenant's election to require Landlord to perform the Egress Capacity Work (or the applicable element thereof). If Tenant gives such notice revoking Tenant's election to require Landlord to perform the Egress Capacity Work (or the applicable element thereof), then (x) Landlord shall have no obligation to perform the Egress Capacity Work (or the applicable element thereof), and (y) Tenant shall pay to Landlord an amount equal to the reasonable out-of-pocket design costs that Landlord incurs in redesigning the Work to delete the Egress Capacity Work (or the applicable portion thereof), within thirty (30) days after Landlord's request therefor and Landlord's submission to Tenant of reasonable supporting documentation therefor. Landlord shall use Landlord's reasonable efforts to minimize the scope and the cost to Tenant of the Egress Capacity Work (to the extent that Tenant does not revoke Tenant's election to require Landlord to perform the Egress Capacity Work (or the applicable elements thereof) as provided in this clause (47)). Landlord and Tenant shall each have the right to submit to an Expedited Arbitration Proceeding any dispute between the parties regarding the scope of the Egress Capacity Work or the costs thereof to be paid by Tenant to Landlord under the Lease, as amended hereby.

- (48) The reference in Item 26 of such Architectural Requirements to "the 22nd floor of the Building" is hereby deleted, and a reference to "the 20th floor of the Building" is hereby substituted therefor.
- (49) The reference in Item 29 of such Architectural Requirements to "the 22nd floor of the Building" is hereby deleted, and a reference to "the 20th floor of the Building" is hereby substituted therefor.

- (50) Each reference in Item 30 of such Architectural Requirements to "the 22nd floor of the Building" is hereby deleted, and a reference to "the 20th floor of the Building" is hereby substituted therefor.
- (51) The reference in Item 35 of such Architectural Requirements to "the 22nd floor of the Building" is hereby deleted, and a reference to "the 20th floor of the Building" is hereby substituted therefor.
- (52) The reference in Item 36 of such Architectural Requirements to "the twenty-first (21st) floor of the Building" is hereby deleted, and a reference to "the nineteenth (19th) floor of the Building" is hereby substituted therefor.
- (53) The reference in Item 36 of such Architectural Requirements to "the twenty-second (22nd) floor of the Building" is hereby deleted, and a reference to "the twentieth (20th) floor of the Building" is hereby substituted therefor.
- (54) Each reference in Item 40 of such Architectural Requirements to "the 22nd floor of the Building" is hereby deleted, and a reference to "the 20th floor of the Building" is hereby substituted therefor.
- (55) The reference in Item 41 of such Architectural Requirements to "the twenty-first (21st) floor of the Building" is hereby deleted, and a reference to "the nineteenth (19th) floor of the Building" is hereby substituted therefor.
- (56) The reference in Item 41 of such Architectural Requirements to "the twenty-second (22nd) floor of the Building" is hereby deleted, and a reference to "the twentieth (20th) floor of the Building" is hereby substituted therefor.
- (57) Each reference in Item 42 of such Architectural Requirements to "the 22nd floor of the Building" is hereby deleted, and a reference to "the 20th floor of the Building" is hereby substituted therefor.
- (58) Each reference in Item 43 of such Architectural Requirements to "the 22nd floor of the Building" is hereby deleted, and a reference to "the 20th floor of the Building" is hereby substituted therefor.
- (59) The reference in Item 44 of such Architectural Requirements to "the 22nd floor of the Building" is hereby deleted, and a reference to "the 20th floor of the Building" is hereby substituted therefor.

- (60) The reference in Item 45 of such Architectural Requirements to "the twenty-first (21st) floor of the Building" is hereby deleted, and a reference to "the nineteenth (19th) floor of the Building" is hereby substituted therefor.
- (61) The reference in Item 45 of such Architectural Requirements to "the twenty-second (22nd) floor of the Building" is hereby deleted, and a reference to "the twentieth (20th) floor of the Building" is hereby substituted therefor.
- (62) The reference in Item 50 of such Architectural Requirements to "the twenty-first (21st) floor of the Building" is hereby deleted, and a reference to "the nineteenth (19th) floor of the Building" is hereby substituted therefor.
- (63) The reference in Item 50 of such Architectural Requirements to "the twenty-second (22nd) floor of the Building" is hereby deleted, and a reference to "the twentieth (20th) floor of the Building" is hereby substituted therefor.
- (64) The reference in Item 51 of such Architectural Requirements to "the twenty-first (21st) floor of the Building" is hereby deleted, and a reference to "the nineteenth (19th) floor of the Building" is hereby substituted therefor.
- (65) The reference in Item 51 of such Architectural Requirements to "the 22nd floor of the Building" is hereby deleted, and a reference to "the 20th floor of the Building" is hereby substituted therefor.
- (66) The reference in Item 52 of such Architectural Requirements to "the twenty-first (21st) floor of the Building" is hereby deleted, and a reference to "the nineteenth (19th) floor of the Building" is hereby substituted therefor.
- (67) The reference in Item 52 of such Architectural Requirements to "the 22nd floor of the Building" is hereby deleted, and a reference to "the 20th floor of the Building" is hereby substituted therefor.
- (68) The first paragraph of Item 53 of such Architectural Requirements shall (i) not apply to the twentieth (20th) floor and the twenty-first (21st) floor of the Lexington Avenue Building, (ii) apply to the twentieth (20th) floor of the Lexington Avenue Building (if Tenant exercises the Shortage Option), and (iii) apply to the New Space.

- (69) The reference in the last paragraph of Item 53 of such Architectural Requirements to "the 22nd floor of the Building" is hereby deleted, and a reference to "the 20th floor of the Building" is hereby substituted therefor.
- (70) The reference in Item 54 of such Architectural Requirements to "the 21st floor of the Building" is hereby deleted, and a reference to "the 19th floor of the Building" is hereby substituted therefor.
- (71) Each reference in Item 54 of such Architectural Requirements to "the 22nd floor of the Building" is hereby deleted, and a reference to "the 20th floor of the Building" is hereby substituted therefor.
- (72) The reference in Item 55 of such Architectural Requirements to "the 22nd floor of the Building" is hereby deleted, and a reference to "the 20th floor of the Building" is hereby substituted therefor.
- (73) Each reference in Item 56 of such Architectural Requirements to "the twenty-second (22nd) floor of the Building" is hereby deleted, and a reference to "the twentieth (20th) floor of the Building" is hereby substituted therefor.
- (74) Each reference in Item 57 of such Architectural Requirements to "the twenty-second (22nd) floor of the Building" is hereby deleted, and a reference to "the twentieth (20th) floor of the Building" is hereby substituted therefor.
- (75) The references in Schedule 1 to such Architectural Requirements to the twentieth (20th) floor in the Lexington Avenue Building and the twenty- first (21st) floor of the Lexington Avenue Building are hereby deleted.
- (76) The Schematic Drawings listed as Schedule 1 to Exhibit 22.1 of the Lease are hereby modified as described on Exhibit "C" attached hereto and made a part hereof.
- (77) Item 6 on Exhibit 22.1 of the Lease is hereby modified to delete the introductory clause "13-21st Floors" and the clause "13-19th Floors" is hereby substituted therefor.
- (78) Item 7 on Exhibit 22.1 of the Lease is hereby modified to delete the introductory clause "22nd Floor" and the clause "20th Floor" is hereby substituted therefor.
- (79) Item 7 on Exhibit 22.1 of the Lease is hereby modified to delete the clause "22nd floor" and the clause "20th floor" is hereby substituted therefor.

- (80) The reference to the "twenty-first (21st) floor" in the description of the Second Construction Milestone Stage as set forth in Exhibit 22.6 of the Lease is hereby deleted, and a reference to the "nineteenth (19th) floor" is hereby substituted therefor.
- (81) Exhibit 39.1 of the Lease is hereby modified by deleting the first sentence under the heading "58th Street and 59th Street & Lexington Avenue Corners (B)" and substituting therefor the following sentence:

Tenant high technology signage display located within the windows of the Lexington Avenue Building on floors 3-5 and within the windows of the Third Avenue Building on floors 3-5.

3. Usable Area Statement. Landlord and Tenant acknowledge that (i) Landlord shall be deemed to have given to Tenant in accordance with Section 22.4(B)(1) of the Lease a Usable Area Statement that sets forth the Usable Area for each Deliverable Unit as provided in Exhibit "D" attached hereto and made a part hereof, (ii) the Usable Area for each Deliverable Unit as set forth in Exhibit "D" attached hereto shall be deemed to have satisfied the parameters set forth in Item 3 of the Architectural Requirements that are attached to the Lease as part of the Work Exhibit, and (iii) the Usable Area that constitutes Bracing Area (hereinafter defined) or Special East Core Areas (hereinafter defined) shall not be taken into account for purposes of determining whether (x) Landlord satisfies the parameters set forth in Items 1 and 2 of the Architectural Requirements that are attached to the Lease as part of the Work Exhibit, or (y) Tenant has the right to exercise the Shortage Option. Nothing contained in this Section 3 limits the rights or obligations of the parties regarding the measurement of the Usable Area of each Deliverable Unit as contemplated by Section 22.4 of the Lease.

4. Special Rules for the Structural Bracing in the Western Core.

(1) Subject to the terms of this Section 4, Landlord and Tenant acknowledge that for purposes of the Lease (as amended hereby), the Usable Area of the Premises shall include, without limitation, the floor area that lies immediately underneath the structural bracing that is adjacent to the core of the Lexington Avenue Building (the floor area that lies immediately underneath such structural bracing in the Lexington Avenue Building being referred to herein as the "Bracing Area"). Nothing contained in this Section 4 limits Landlord's obligation to construct the Premises in accordance with the Architectural Requirements that constitute part of the Work Exhibit (except that the parties' respective rights and obligations in respect of the Bracing Area, the Limited Bracing Area and the Dead Space shall be governed by this Section 4). Landlord shall not have the right to include in the Premises more than a cumulative total of approximately five thousand (5,000) square feet of Rentable Area that constitutes the Bracing Area. Landlord, as part of the Work, shall install the sheetrock encasement as close as reasonably practicable to the structural bracing in the Bracing Area (it being understood that the construction of such sheetrock encasements for such structural bracing shall not constitute a Tenant Work Component).

(2) Subject to the terms of this Section 4(2), the Usable Area of the Premises shall not include any particular portion of the Bracing Area to the extent that (x) the distance from the top of the six (6)-inch raised floor to the underside of the fireproofed structural bracing and the Building Systems running adjacent thereto in such portion of the Bracing Area is less than eight (8) feet, six (6) inches, (y) Tenant does not use such portion of the Bracing Area for any purpose, and (z) Tenant encloses such portion of the Bracing Area with permanent partitioning (such as sheetrock partitioning) (any portion of the Bracing Area that meets the requirements set forth in clauses (x), (y) and (z) above being referred to herein as "Dead Space"; any portion of the Bracing Area that meets the requirement described in clause (x) above (regardless of whether such portion of the Bracing Area also satisfies the requirements described in clauses (y) and (z) above) being referred to herein as "Limited Bracing Area"). Tenant shall have the right to declare that a portion of the Bracing Area constitutes Dead Space by giving notice thereof to Landlord on or prior to the sixtieth (60th) day after the Rent Commencement Date for the applicable Deliverable Unit. If Tenant so declares that a portion of the Bracing Area constitutes Dead Space, then Landlord shall have the right to inspect the applicable portion of the Premises to the extent reasonably necessary to confirm Tenant's aforesaid declaration. Either party shall have the right to submit to an Expedited Arbitration Proceeding a dispute between the parties regarding the designation of the Dead Space as contemplated by this Section 4(2). If any Bracing Area constitutes Dead Space as provided in this Section 4(2), then such Bracing Area shall constitute Usable Area during the period that such Bracing Area no longer qualifies as Dead Space as provided in this Section 4(2).

(3) Landlord and Tenant acknowledge that the Fixed Rent for the Bracing Area shall be calculated in accordance with the terms of the Lease (as modified hereby), except that the Fixed Rent for any Limited Bracing Area (other than the Dead Space) shall be calculated at the rate of (i) Thirty Dollars (\$30) per square foot of Rentable Area for the 1st Rental Period, (ii) Thirty-Three and 3,000/10,000 Dollars (\$33.3000) per square foot of Rentable Area for the 2nd Rental Period, (iii) Thirty-Six and 9,630/10,000 Dollars (\$36.9630) per square foot of Rentable Area for the 3rd Rental Period, (iv) Forty-One and 289/10,000 Dollars (\$41.0289) per square foot of Rentable Area for the 4th Rental Period, (v) Forty-Five and 5,421/10,000 Dollars (\$45.5421) per square foot of Rentable Area for the 5th Rental Period, (vi) Fifty and 5,517/10,000 Dollars (\$50.5517) per square foot of Rentable Area for the 6th Rental Period, and (vii) Fifty-Six and 1,124/10,000 Dollars (\$56.1124) per square foot of Rentable Area for the 7th Rental Period. Landlord and Tenant acknowledge that Tenant shall not be required to pay Fixed Rent for any Dead Space by virtue of such Dead Space not being included in Usable Area as provided in this Section 4. If a portion of the Bracing Area constitutes Dead Space as determined in accordance with Section 4(2) hereof, then Tenant shall have the right to credit against the Rental otherwise coming due hereunder an amount equal to the Fixed Rent that Tenant has theretofore paid to Landlord for such Dead Space, until such credit is exhausted.

(4) In connection with the determination of the Rental Value of any portion of the Renewal Premises that constitutes Limited Bracing Area for the Renewal Term, the Base Rental Amount shall be the product obtained by multiplying (x) the number of square feet of Rentable Area in such portion of the Renewal Premises, by (y) (a) Fifty-Six and 1,124/10,000 Dollars (\$56.1124) for the period from the first day of the Renewal Term to the day immediately

preceding the twenty-eighth (28th) anniversary of the Last Commencement Date, (b) Sixty-Two and 2,848/10,000 Dollars (\$62.2848) for the period from the twenty-eighth (28th) anniversary of the Last Commencement Date to the day immediately preceding the thirty-second (32nd) anniversary of the Last Commencement Date, and (c) Sixty-Nine and 1,361/10,000 Dollars (\$69.1361) for the period from the thirty-second (32nd) anniversary of the Last Commencement Date to the last day of the Renewal Term.

(5) The Comparison Amount for any portion of the Premises that constitutes Limited Bracing Area shall be as indicated for "Limited Areas" on Exhibit "A" attached hereto.

(6) Subject to the terms of this Section 4(6), Landlord acknowledges that Landlord has heretofore advised Tenant that Landlord currently expects that (i) the portion of the Bracing Area in respect of which the distance from the top of the six (6)-inch raised floor to the underside of the fireproofed structural bracing and the Building Systems running adjacent thereto in such portion of the Bracing Area is eight (8) feet or more will consist of approximately 1,451 square feet of Rentable Area, and (ii) the portion of the Bracing Area in respect of which the distance from the top of the six (6)-inch raised floor to the underside of the fireproofed structural bracing and the Building Systems running adjacent thereto in such portion of the Bracing Area is less than eight (8) feet will consist of approximately 2,880 square feet of Rentable Area. Subject to Section 4(1) hereof, Landlord shall not have any liability to Tenant to the extent that the Bracing Areas do not conform to Landlord's expectations as set forth in this Section 4(6).

5. Special Rules for Ceiling Heights in the Eastern Core.

(1) Notwithstanding Item 54 of the Architectural Requirements that constitute part of the Work Exhibit, the Clear Height (hereinafter defined) in the portions of the Premises that are located in the core of the Third Avenue Building as shown on Exhibit "E" attached hereto and made a part hereof shall not be less than eight (8) feet (such portions of the Premises that are located in the core of the Third Avenue Building as shown on Exhibit "E" attached hereto being referred to herein as the "Special East Core Areas"). As used herein, the term "Clear Height" shall mean the height from the top of the six (6)-inch raised floor to the underside of the fireproofed structure and the obstructions that are required for the Building Systems (it being understood that such obstructions for the Building Systems shall include, without limitation, the chilled water supply and return piping, the general exhaust duct work, and the toilet exhaust duct work, and any other items shown on Exhibit "F" attached hereto and made a part hereof). Landlord shall not have the right to include in the Premises (x) more than a cumulative total of approximately two thousand two hundred ninety-two (2,292) square feet of Rentable Area that constitutes the Special East Core Areas, or (y) any portion of the Special East Core Areas to the extent that Tenant does not have access thereto through a passage having a clear plan dimension of at least three (3) feet, six (6) inches and a Clear Height of at least the height of the adjacent Special East Core Area.

(2) The Fixed Rent for any Special East Core Area in respect of which the Clear Height (x) is less than eight (8) feet and nine (9) inches, and (y) complies with the requirements set forth in Section 5(1) hereof shall be (i) Thirty Dollars (\$30) per square foot of Rentable Area

for the 1st Rental Period, (ii) Thirty-Three and 3,000/10,000 Dollars (\$33.3000) per square foot of Rentable Area for the 2nd Rental Period, (iii) Thirty-Six and 9,630/10,000 Dollars (\$36.9630) per square foot of Rentable Area for the 3rd Rental Period, (iv) Forty-One and 289/10,000 Dollars (\$41.0289) per square foot of Rentable Area for the 4th Rental Period, (v) Forty-Five and 5,421/10,000 Dollars (\$45.5421) per square foot of Rentable Area for the 5th Rental Period, (vi) Fifty and 5,517/10,000 Dollars (\$50.5517) per square foot of Rentable Area for the 6th Rental Period, and (vii) Fifty-Six and 1,124/10,000 Dollars (\$56.1124) per square foot of Rentable Area for the 7th Rental Period (any such portion of the Premises within the core of the Third Avenue Building for which the Clear Height is less than eight (8) feet and nine (9) inches being referred to herein as "Limited East Core Space"). Nothing contained in this Section 5(2) permits Landlord to require Tenant to accept Special East Core Areas that do not comply with the height requirements set forth in Section 5(1) hereof (and, accordingly, any portion of the Special East Core Areas in which the Clear Height is less than eight (8) feet shall not constitute Usable Area for purposes of the Lease).

(3) In connection with the determination of the Rental Value of any portion of the Renewal Premises that constitutes Limited East Core Space for the Renewal Term, the Base Rental Amount shall be the product obtained by multiplying (x) the number of square feet of Rentable Area in such portion of the Renewal Premises, by (y) (a) Fifty-Six and 1,124/10,000 Dollars (\$56.1124) for the period from the first day of the Renewal Term to the day immediately preceding the twenty-eighth (28th) anniversary of the Last Commencement Date, (b) Sixty-Two and 2,848/10,000 Dollars (\$62.2848) for the period from the twenty-eighth (28th) anniversary of the Last Commencement Date to the day immediately preceding the thirty-second (32nd) anniversary of the Last Commencement Date, and (c) Sixty-Nine and 1,361/10,000 Dollars (\$69.1361) for the period from the thirty-second (32nd) anniversary of the Last Commencement Date to the last day of the Renewal Term.

(4) The Comparison Amount for any portion of the Premises that constitutes Limited East Core Space shall be as indicated for "Limited Areas" on Exhibit "A" attached hereto.

6. Amendment to Memorandum of Lease. Landlord and Tenant shall execute, acknowledge and deliver, simultaneously with the execution and delivery hereof, (i) an Amendment to Memorandum of Lease, in the form of Exhibit "G" attached hereto and made a part hereof, and (ii) any transfer tax returns that are required to accompany such memorandum for recording purposes. Tenant shall submit such Amendment to Memorandum of Lease for recording in the appropriate government office promptly after the date hereof. Tenant shall pay the recording charges associated therewith, except that Landlord shall pay any transfer taxes associated therewith.

7. Broker. Landlord and Tenant hereby represent and warrant to the other party that such party has not dealt with any broker in connection with the execution and delivery hereof, except Broker. Tenant shall indemnify Landlord, and hold Landlord harmless, from and against, any claim for commission or other similar compensation that is made by any broker with whom Tenant has dealt (including, without limitation, Broker). Landlord shall indemnify

Tenant, and hold Tenant harmless, from and against, any claim for commission or other similar compensation that is made by any broker with whom Landlord has dealt, other than Broker.

8. Landlord's Notices.

(1) Landlord hereby advises Tenant that for purposes of Section 25.1 of the Lease, Landlord's address is as follows:

c/o Vornado Office Management LLC
888 Seventh Avenue
New York, New York 10019
Attn: Mr. David R. Greenbaum

with copies to:

Vornado Realty Trust
210 Route 4 East
Paramus, New Jersey 07652
Attn: Joseph Macnow

and to:

Proskauer Rose LLP
1585 Broadway
New York, New York 10036
Attn: Lawrence J. Lipson, Esq.

(2) Landlord hereby advises Tenant that for purposes of Section 25.2 of the Lease, Landlord's address is as follows:

c/o Vornado Office Management LLC
888 Seventh Avenue
New York, New York 10019
Attn: Mr. David R. Greenbaum

with copies to:

Vornado Realty Trust
210 Route 4 East
Paramus, New Jersey 07652
Attn: Joseph Macnow

and to:

Proskauer Rose LLP

1585 Broadway
New York, New York 10036
Attn: Lawrence J. Lipson, Esq.

and to:

Vornado Realty Trust
888 Seventh Avenue
New York, New York 10019
Attn: Melvyn Blum

9. Reaffirmation. Landlord and Tenant hereby acknowledge that (x) the Lease, as amended hereby, remains in full force and effect, (y) accordingly, nothing contained herein shall be deemed to limit or expand the parties' respective rights and obligations regarding the preparation or review of the Building Plans, as provided in Section 22.3 of the Lease, and (z) except as expressly provided herein, Item 54 of the Architectural Requirements that constitutes part of the Work Exhibit remains unmodified.

IN WITNESS WHEREOF, 731 and BLP have duly executed and delivered this First Amendment of Lease as of the date first above written.

SEVEN THIRTY ONE LIMITED PARTNERSHIP

By: Alexander's Department Stores of
Lexington Avenue, Inc., general partner

By: _____
Name:
Title:

BLOOMBERG L.P.

By: Bloomberg, Inc., general partner

By: _____
Name: Paul F. Darrah, Jr.
Title: Director of Real Estate

Exhibit "A"
Comparison Amounts

Period -----	First Price ----- Space -----	Second ----- Price ----- Space -----	Third Price ----- Space -----	Fourth ----- Price ----- Space -----	Limited ----- Areas -----
1st Rental Period	\$50.4373	\$54.4373	\$53.5732	\$54.0000	\$30.0000
2nd Rental Period	\$55.9854	\$60.4254	\$59.4663	\$59.9400	\$33.3000
3rd Rental Period	\$62.1438	\$67.0722	\$66.0075	\$66.5334	\$36.9630
4th Rental Period	\$68.9796	\$74.4501	\$73.2684	\$73.8521	\$41.0289
5th Rental Period	\$76.5674	\$82.6396	\$81.3279	\$81.9758	\$45.5421
6th Rental Period	\$84.9898	\$91.7300	\$90.2740	\$90.9931	\$50.5517
7th Rental Period	\$94.3387	\$101.8203	\$100.2041	\$101.0024	\$56.1124
25th anniversary of the Last Commencement Date to the day immediately preceding the 28th anniversary of the Last Commencement Date	\$94.3387	\$101.8203	\$100.2041	\$101.0024	\$56.1124
28th anniversary of the Last Commencement Date to the day immediately preceding the 32nd anniversary of the Last Commencement Date	\$104.7159	\$113.0206	\$111.2265	\$112.1126	\$62.2848
32nd anniversary of the Last Commencement Date to the day immediately preceding the 35th anniversary of the Last Commencement Date	\$116.2347	\$125.4528	\$123.4614	\$124.4450	\$69.1361

Exhibit "B"

Occupancy Density

Description -----	Maximum Allowable Occupancy per Egress ----- Stairs -----
Lexington Avenue Building - Floors 20, 19, 18, 17, 16, 15 , 14, 13, 10, 9, and 8.	240 persons per floor.
7th Floor - East	480 persons
7th Floor - West	360 persons
6th Floor - East	480 persons
6th Floor - West	480 persons
5th Floor - East	480 persons
5th Floor - West	480 persons
4th Floor - East	480 persons
4th Floor - West	480 persons
3rd Floor - East	480 persons
3rd Floor - West	480 persons
Lower Level 2	780 persons

Exhibit "C"

Schematic Drawings

Schedule 1 to Exhibit 22.1 is hereby modified to:

(I) add thereto the following Schematic Drawing (for the New Space):

A-111, last dated April 15, 2002; and

(II) delete the reference therein to Drawing A-2 for Lower Level 2, dated April 20, 2001, and substitute therefor a reference to Drawing A-101 for Lower Level 2, last dated February 15, 2002 and marked "Issued for Construction."

Exhibit "D"

Usable Area Statement

Deliverable Unit -----	Square Feet of Usable Area -----
Lower Level 3	2,047
Lower Level 2	64,768
Third Floor - Lexington Building	37,434
Third Floor - Third Avenue Building	29,614
Fourth Floor	69,111
Fifth Floor	69,401
Sixth Floor	47,913
Seventh Floor	39,924
Eighth Floor - Lexington Avenue Building	18,340
Ninth Floor - Lexington Avenue Building	18,340
Tenth Floor - Lexington Avenue Building	18,340
Thirteenth Floor - Lexington Avenue Building	15,527
Fourteenth Floor - Lexington Avenue Building	15,570
Fifteenth Floor - Lexington Avenue Building	15,570
Sixteenth Floor - Lexington Avenue Building	15,570
Seventeenth Floor - Lexington Avenue Building	15,570
Eighteenth Floor - Lexington Avenue Building	15,570
Nineteenth Floor - Lexington Avenue Building	15,570

Exhibit "E"

Special East Core Areas

See Attached

The attached plans shall apply only for purposes of depicting the Special East Core Areas (as the hatched areas) and not for any other purpose.

Exhibit "F"

Clear Height

See Typical East Core Floor Plan, F&K SKM-10-15-01.2, Latest Revision 10/15/01, a copy of the relevant portion of which is attached hereto (it being understood that the aforesaid plan shall apply for purposes of the definition of Clear Height only to the extent that the aforesaid plan depicts space in the Special East Core Areas).

Exhibit "G"

Memorandum of Amendment of Lease

SEVEN THIRTY ONE LIMITED PARTNERSHIP,

Landlord,

-and-

BLOOMBERG L.P.,

Tenant.

MEMORANDUM OF AMENDMENT OF LEASE

Dated as of April ____, 2002

The Premises affected by the within instrument lies in the City of New York,
County of New York, State of New York

Address of Property: The Site Bounded by Lexington Avenue, East 58th
Street, East 59th Street and Third Avenue

Section: 5
Block: 1313
Lot: 40

Record and Return to:

WILLKIE FARR & GALLAGHER
787 Seventh Avenue
New York, New York 10019

Attention: Steven D. Klein, Esq.

Memorandum of Amendment of Lease
Pursuant to Section 291-cc of
The New York Real Property Law

Reference to the Original Lease: The Amendment of Lease described herein amends the Agreement of Lease, dated as of April 30, 2001, between Landlord and Tenant (said Agreement of Lease being referred to herein as the "Original Lease"; the Original Lease, as amended by such Amendment of Lease, being referred to herein as the "Lease"). A Memorandum of Lease for the Original Lease was recorded on May 14, 2001 in the Office of the Register of The City of New York (New York County) in Reel 3281, page 1624.

Date of Execution of the Amendment of Lease: As of April __, 2002

Name and Address of Landlord: SEVEN THIRTY ONE LIMITED PARTNERSHIP
c/o Vornado Realty Trust
210 Route 4 East
Paramus, New Jersey 07652
Attention: Joseph Macnow

Name and Address of Tenant: Until Tenant takes occupancy of the premises for the conduct of its business:

BLOOMBERG L.P.
499 Park Avenue
New York, New York 10022
Attention: Paul F. Darrah, Jr.

and

From and after the date Tenant takes occupancy of the premises for the conduct of its business:

BLOOMBERG L.P.
731 Lexington Avenue
New York, New York 10022
Attention: Paul F. Darrah, Jr.

Nature of the Amendment: The Amendment of Lease (i) deletes from the premises demised

of Lease: by the Lease the entire rentable area on the twentieth (20th) and twenty-first (21st) floors of the Building, and (ii) adds to the premises demised by the Lease the entire rentable area on the third (3rd) floor of the Third Avenue Building. The Fixed Expiration Date for the premises demised by the Lease is the day immediately preceding the twenty-fifth (25th) anniversary of the last to occur of each of the Commencement Dates applicable to the Initial Premises (except that in no event shall the term of the Lease expire later than the twenty-sixth (26th) anniversary of the First Commencement Date). Tenant's renewal rights as set forth in the Original Lease remain in effect.

Description of the Premises demised by the Original Lease, as amended by the Amendment of Lease: The entire third (3rd), fourth (4th), fifth (5th), sixth (6th), seventh (7th), eighth (8th), ninth (9th), tenth (10th), thirteenth (13th), fourteenth (14th), fifteenth (15th), sixteenth (16th), seventeenth (17th), eighteenth (18th), and nineteenth (19th), floors of the Lexington Avenue Building; the entire third (3rd), fourth (4th), fifth (5th), sixth (6th), and seventh (7th) floors of the Third Avenue Building; the entire Bridge Building; and portions of Lower Level 2 and Lower Level 3 of the Building. Such buildings are to be constructed on the site bounded by Lexington Avenue, East 58th Street, East 59th Street and Third Avenue in the Borough of Manhattan, City, County and State of New York as such site is more particularly described on Schedule A attached hereto.

Memorandum of Lease: This instrument, executed in connection with the Amendment of Lease, is intended to be and is entered into as a memorandum thereof solely for the purpose of recordation and the giving of notice of the tenancy created by the Lease and of the rights and obligations of Landlord and Tenant thereunder and shall not, in any event, be construed to change, vary, modify or interpret the Lease or any of the terms, covenants or conditions thereof, or any part thereof, which are set forth, described or summarized herein and reference is hereby made to the Lease for any and all purposes. All capitalized terms used in this Memorandum of Amendment of Lease shall have, unless otherwise defined herein, the meanings ascribed to them in the Amendment of Lease.

IN WITNESS WHEREOF, Landlord and Tenant have respectively executed and delivered this Memorandum of Amendment of Lease as of the date first above written.

SEVEN THIRTY ONE LIMITED PARTNERSHIP

By: Alexander's Department Stores of
Lexington Avenue, Inc., general partner

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President

BLOOMBERG L.P.

By: Bloomberg Inc., general partner

By: /s/ Paul F. Darrah, Jr.

Name: Paul F. Darrah, Jr.
Title: Director of Real Estate

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the ____ day of April, 2002, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and who acknowledged to me that such individual executed such instrument in such individual's capacity, and that by such individual's signature on such instrument, such individual, or the person upon behalf of which such individual acted, executed the instrument.

Notary Public

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the ____ day of April, 2002, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and who acknowledged to me that such individual executed such instrument in such individual's capacity, and that by such individual's signature on such instrument, such individual, or the person upon behalf of which such individual acted, executed the instrument.

Notary Public

SCHEDULE "A"

LEGAL DESCRIPTION

PARCEL I - FORMER LOTS 40 AND 42, NOW KNOWN AS PART OF LOT 40

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, City, County and State of New York, more particularly bounded and described as follows:

BEGINNING: at the corner formed by the intersection of the southerly side of 59th Street with the westerly side of Third Avenue;

RUNNING THENCE southerly along the westerly side of Third Avenue, 150 feet 5 inches;

THENCE westerly parallel with the southerly side of 59th Street, 100 feet;

THENCE northerly parallel with the westerly side of Third Avenue, 150 feet 5 inches to the southerly side of 59th Street;

THENCE easterly along said southerly side of 59th Street, 100 feet to the point or place of BEGINNING.

PARCEL II - FORMER LOT 43, NOW KNOWN AS PART OF LOT 40

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, City, County and State of New York, more particularly bounded and described as follows:

BEGINNING at a point on the easterly side of Lexington Avenue distant 80 feet 5 inches southerly from the corner formed by the intersection of the easterly side of Lexington Avenue with the southerly side of 59th Street;

THENCE southerly along the easterly side of Lexington Avenue 120 feet 5 inches to the corner formed by the intersection of the northerly side of East 58th Street and the said easterly side of Lexington Avenue;

THENCE easterly along the northerly side of East 58th Street 420 feet to the corner formed by the intersection of the northerly side of East 58th Street and the westerly side of Third Avenue;

THENCE northerly along the said westerly side of Third Avenue 50 feet 5 inches;

THENCE westerly parallel with the northerly side of 58th Street 100 feet;

THENCE northerly parallel with the easterly side of Lexington Avenue and part of the distance through a party wall at right angles to 59th Street 150 feet 5 inches to the southerly side of 59th Street;

THENCE westerly along the southerly side of 59th Street 225 feet;

THENCE southerly parallel with the easterly side of Lexington Avenue 80 feet 5 inches;

THENCE westerly parallel with the southerly side of 59th Street and part of the distance through a party wall 95 feet to the point or place of BEGINNING.

PARCEL III - FORMER LOT 50, NOW KNOWN AS PART OF LOT 40

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, City, County and State of New York, more particularly bounded and described as follows:

BEGINNING at the corner formed by the intersection of the easterly side of Lexington Avenue with the southerly side of 59th Street;

RUNNING THENCE southerly along the easterly side of Lexington Avenue 80 feet 5 inches;

THENCE easterly parallel with the southerly side of 59th Street and part of the distance through a party wall 95 feet;

THENCE northerly parallel with the easterly side of Lexington Avenue 80 feet 5 inches to the southerly side of 59th Street;

THENCE westerly along the southerly side of 59th Street 95 feet to the point or place of BEGINNING.

Schedule A-2

