

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended: DECEMBER 31, 2001

Commission file number: 1-6064

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

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

51-0100517  
(I.R.S. Employer  
Identification No.)

888 SEVENTH AVENUE, NEW YORK, NEW YORK  
(Address of principal executive offices)

10019  
(Zip Code)

Registrant's telephone number, including area code: (212) 894-7000

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

| Title of each class<br>----- | Name of each exchange on which registered<br>----- |
|------------------------------|--|
| Common Stock, \$1 par value  | New York Stock Exchange                            |

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

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

YES  NO   
--- -----

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

The aggregate market value of the common stock held by non-affiliates of the Registrant (based upon the closing price of the stock on the New York Stock Exchange on February 22, 2002) was approximately \$113,257,000.

5,000,850 shares of the Registrant's common stock, par value \$1 per share, were outstanding as of February 22, 2002.

Documents Incorporated by Reference

Part III: Proxy Statement for Annual Meeting of Shareholders to be held May 29, 2002

TABLE OF CONTENTS

|            | Item |   | Page  |
|------------|------|---|-------|
|            | ---- |   | ----  |
| PART I.    | 1.   | Business  | 3     |
|            | 2.   | Properties  | 6     |
|            | 3.   | Legal Proceedings   | 9     |
|            | 4.   | Submission of Matters to a Vote of Security Holders                                   | 9     |
|            |      | Executive Officers of the Company   | 10    |
| PART II.   | 5.   | Market for Registrant's Common Equity and Related Stockholder Matters                 | 11    |
|            | 6.   | Selected Financial Data   | 12    |
|            | 7.   | Management's Discussion and Analysis of Financial Condition and Results of Operations | 13    |
|            | 7A.  | Quantitative and Qualitative Disclosures about Market Risk                            | 18    |
|            | 8.   | Financial Statements and Supplementary Data   | 19    |
|            | 9.   | Changes in and Disagreements with Accountants on Accounting and Financial Disclosure  | 19    |
| PART III.  | 10.  | Directors and Executive Officers of the Registrant                                    | 36(1) |
|            | 11.  | Executive Compensation  | 36(1) |
|            | 12.  | Security Ownership of Certain Beneficial Owners and Management                        | 36(1) |
|            | 13.  | Certain Relationships and Related Transactions  | 36(1) |
| PART IV    | 14.  | Exhibits, Financial Statement Schedules, and Reports on Form 8-K                      | 37    |
| SIGNATURES |      |   | 38    |

(1) These items are omitted because the Registrant will file a definitive Proxy Statement pursuant to Regulation 14A involving the election of directors with the Securities and Exchange Commission not later than 120 days after December 31, 2001, which is incorporated by reference.

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 annual report on form 10-K 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 annual report on form 10-K. 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.

GENERAL

Alexander's, Inc. (the "Company") is a real estate investment trust ("REIT") engaged in leasing, managing, developing and redeveloping properties. Alexander's activities are conducted through its manager, Vornado Realty Trust ("Vornado").

Alexander's has seven properties consisting of:

Operating properties:

- (i) the recently renovated Kings Plaza Regional Shopping Center on Flatbush Avenue in Brooklyn, New York, which contains 1,100,000 square feet is comprised of a two-level mall containing 470,000 square feet (the "Mall"), a 289,000 square foot department store leased to Sears and another anchor department store owned and operated as a Macy's by Federated Department Stores, Inc. ("Federated");
- (ii) the Rego Park I property located on Queens Boulevard and 63rd Road in Rego Park, Queens, New York, which contains a 351,000 square foot building, which is 100% leased to Sears, Circuit City, Bed Bath & Beyond, Marshalls and Old Navy;
- (iii) the Paramus property which consists of 30.3 acres of land located at the intersection of Routes 4 and 17 in Paramus, New Jersey which was leased to IKEA Properties, Inc. beginning October 5, 2001.
- (iv) the Flushing property located at Roosevelt Avenue and Main Street in Flushing, New York, which contains a 177,000 square foot building currently vacant; and
- (v) the Third Avenue property located at Third Avenue and 152nd Street in the Bronx, New York, which contains a 173,000 square foot building leased to an affiliate of Conway;

Property under development:

- (vi) the Lexington Avenue property which comprises the entire square block bounded by Lexington Avenue, East 59th Street, Third Avenue and East 58th Street in Manhattan, New York; and

Non-operating property to be developed:

- (vii) the Rego Park II property, which comprises one and one-half square blocks of vacant land adjacent to the Rego Park I property.

Discussion of Lexington Avenue property under development:

The development plans at Lexington Avenue currently consist of a proposed 1.4 million square foot multi-use building comprised of a commercial portion, which may include a combination of retail stores and offices, and a residential portion, consisting of condominium units. There can be no assurance that the residential portion will be built. If the residential portion of the property is developed, the air rights representing the residential portion would be held by a taxable REIT subsidiary, as a REIT is not permitted to sell condominiums without being subject to a 100% excise tax on the gain from the sale of such condominiums. The funding required for the proposed building will be in excess of \$650,000,000. The Company is exploring various alternatives for financing the project, including equity, debt, joint ventures and asset sales, which may involve arrangements with Vornado Realty Trust. For a discussion of insurance and its possible effect on financing, see the discussion in Item 2 on page 9.

On May 1, 2001 the Company entered into a lease agreement with Bloomberg L.P. to lease approximately 700,000 square feet in the building under development at Lexington Avenue. The initial term of the lease is for 25 years, with a ten-year renewal option. Base annual net rent is \$34,221,000 in each of the first four years and \$38,226,000 in the fifth year with a similar percentage increase each four years thereafter. There can be no assurance that the project ultimately will be completed, completed on time or completed for the budgeted amount. If the project is not completed on a timely basis, the lease may be cancelled and significant penalties may apply.

The Company sold its Fordham Road property, located in the Bronx, New York, on January 12, 2001. The vacant property contains 303,000 square feet and was sold for \$25,500,000 resulting in a gain of \$19,026,000. In addition, the Company paid off the mortgage on this property at a discount, which resulted in an extraordinary gain from the early extinguishment of debt of \$3,534,000.

On October 5, 2001, the Company entered into a ground lease for its Paramus, N.J. property with IKEA Property, Inc. The lease has a 40-year term with an option to purchase at the end of the 20th year for \$75,000,000. Further, the Company has obtained a \$68,000,000 interest only, non-recourse mortgage loan on the property from a third party lender. The fixed interest rate on the debt is 5.92% with interest payable monthly until maturity in October, 2011. The triple net rent each year is the sum of \$700,000 plus the amount of debt service on the mortgage loan. If the purchase option is not exercised at the end of the 20th year, the triple net rent for the last 20 years must include debt service sufficient to fully amortize the \$68,000,000 over the remaining 20-year lease period.

Sears accounted for 21%, 21% and 22% of the Company's consolidated revenues for the years ended December 31, 2001, 2000 and 1999, respectively. No other tenant accounted for more than 10% of revenues.

The Company has completed an interior renovation of the Kings Plaza Regional Shopping Center (the "Center") at a total cost of \$33,000,000. The exterior of the Center is expected to be renovated in 2002 at a cost of approximately \$4,000,000.

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) and from the Flushing property (currently vacant) the Company expects that cash flow will become positive.

The Company estimates that the fair market values of its assets are substantially in excess of their historical cost and that it has additional borrowing capacity. Alexander's 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) 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.

The Company is a Delaware corporation with its principal executive office located at 888 Seventh Avenue, New York, New York, 10019, telephone (212) 894-7000.

#### Relationship with Vornado Realty Trust ("Vornado")

Vornado owns 33.1% of the Company's Common Stock at December 31, 2001. The Company is managed by, and its properties are redeveloped and leased by, Vornado, pursuant to agreements with a one-year term expiring in March of each year which are automatically renewable. Vornado is a fully integrated REIT with significant experience in the ownership, development, leasing, operation and management of retail and office properties.

The annual management fee payable by the Company to Vornado is equal to the sum of (i) \$3,000,000, (ii) 3% of the gross income from the Mall, plus (iii) 6% of development costs with minimum guaranteed fees of \$750,000 per annum. The leasing agreement provides for the Company to pay a fee to Vornado equal to (i) 3% of the gross proceeds, as defined, from the sale of an asset and (ii) in the event of a lease or sublease of an asset, 3% of lease rent for the first ten years of a lease term, 2% of lease rent for the eleventh through the twentieth years of a lease term and 1% of lease rent for the twenty-first through thirtieth year of a lease term, subject to the payment of rents by tenants. Such amount is payable annually in an amount not to exceed \$2,500,000, until the present value of such installments (calculated at a discount rate of 9% per annum) equals the amount that would have been paid had it been paid at the time the transactions which gave rise to the commissions occurred. Pursuant to the leasing agreement, in the event third party real estate brokers are used, the fees to Vornado increase by 1% and Vornado is responsible for the fees to the third party real estate brokers. Under these agreements, the Company incurred fees of \$9,361,000, \$6,721,000 and \$7,237,000 for the years ended December 31, 2001, 2000 and 1999. At December 31, 2001 the Company owes Vornado \$2,249,000 for leasing fees.

At December 31, 2001, the Company is indebted to Vornado in the amount of \$119,000,000 comprised of (i) \$95,000,000, the subordinated tranche of a \$105,000,000 secured financing, and (ii) \$24,000,000 under a \$50,000,000 secured line of credit (which carries a 1% unused commitment fee). The interest rate on the loan and line of credit is 13.74% and the maturity has been extended to April 15, 2003. The interest rate on the loan and line of credit will reset on March 15, 2002 and quarterly thereafter, using the same spread to treasuries as presently exists and a 3.00% floor for treasuries. These loans are secured by liens on the Company's assets and/or pledges of the stock of subsidiaries owning the assets and/or guarantees of such subsidiaries and the parent; except the liens do not cover the Kings Plaza

Regional Shopping Center, Paramus and Rego Park I and are subordinate to first mortgages and a \$10,000,000 bank term loan which is included in the \$105,000,000 secured financing discussed above.

Steven Roth is Chief Executive Officer and a director of the Company, the Managing General Partner of Interstate Properties ("Interstate") and Chairman of the Board and Chief Executive Officer of Vornado. At December 31, 2001, Mr. Roth, Interstate and the other two general partners of Interstate, David Mandelbaum and Russell B. Wight, Jr. (who are also directors of the Company and trustees of Vornado) own, in the aggregate, 27.5% of the outstanding common stock of the Company, and 15.5% of the outstanding common shares of beneficial interest of Vornado.

#### ENVIRONMENTAL MATTERS

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. The New York State Department of Environmental Conservation ("NYDEC") has approved a portion of the remediation approach. The Company accrued \$2,000,000 in previous years (\$1,830,000 has been paid as of December 31, 2001) 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. Based upon revised estimates, the Company accrued an additional \$675,000 in the second quarter of 2001. 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 any potentially responsible third parties, there can be no assurance that such parties will be identified, or if identified, whether these potentially responsible third parties will be solvent. In addition, the costs associated with pursuing any potentially responsible parties may be cost prohibitive. The Company has not recorded an asset as of December 31, 2001 for potential recoveries of environmental remediation costs from other parties.

#### COMPETITION

The Company conducts its real estate operations in the New York metropolitan area, a highly competitive market. The Company's success depends upon, among other factors, the trends of the national and local economies, the financial condition and operating results of current and prospective tenants, the availability and cost of capital, interest rates, construction and renovation costs, income tax laws, governmental regulations and legislation, population trends, the market for real estate properties in the New York metropolitan area, zoning laws and the ability of the Company to lease, sublease or sell its properties at profitable levels. The Company competes with a large number of real estate property owners. In addition, although the Company believes that it will realize significant value from its properties over time, the Company anticipates that it may take a number of years before all of its properties generate cash flow at or near anticipated levels. The Company's success is also subject to its ability to finance its development and to refinance its debts as they come due.

#### EMPLOYEES

The Company currently has one corporate employee and 62 property level employees.

Item 2. Properties

The following table shows the location, approximate size and leasing status as of December 31, 2001 of each of the Company's properties, excluding the Fordham Road property that was sold on January 12, 2001

| Property  | Ownership  | Approximate Land Area in Square Feet ("SF") or Acreage | Approximate Building Leaseable Square Feet/ Number of Floors | Average Annualized Base Rent Per Sq. Foot | Percent Leased | Significant Tenants (30,000 square feet or more)        | Square Footage Leased                 | Lease Expiration/ Option Expiration         |
|---|------------|--|--|---|----------------|---|---------------------------------------|---|
| <b>OPERATING PROPERTIES</b>   |            |  |  |   |                |   |                                       |   |
| Kings Plaza Regional Shopping Center Flatbush Avenue Brooklyn, New York | Owned      | 24.3 acres   | 759,000/4 (1)(2)   | \$ 31.93                                  | 98%            | Sears<br>117 Mall tenants                               | 289,000<br>452,000                    | 2023/2033<br>Various                        |
| Rego Park I Queens Blvd. & 63rd Rd. Rego Park, New York                 | Owned      | 4.8 acres  | 351,000/3 (1)  | 31.12                                     | 100            | Sears<br>Circuit City<br>Bed Bath & Beyond<br>Marshalls | 195,000<br>50,000<br>46,000<br>39,000 | 2021/2031<br>2021<br>2013/2021<br>2008/2021 |
| Routes 4 & 17 Paramus, New Jersey                                       | Owned      | 30.3 acres   | N/A<br>Ground Lease  | N/A<br>Ground Lease                       | 100            | IKEA Property, Inc.                                     | N/A<br>Ground Lease                   | 2041  |
| Roosevelt Avenue & Main Street Flushing, New York                       | Leased (3) | 44,975 SF  | 177,000/4 (1)  | --  | 0              | --  | --                                    | --  |
| Third Avenue & 152nd Street Bronx, New York                             | Owned      | 60,451 SF  | 173,000/4  | 7.86                                      | 100            | An affiliate of Conway                                  | 173,000                               | 2023  |
| <b>PROPERTY UNDER DEVELOPMENT</b>                                       |            |  |  |   |                |   |                                       |   |
| Square block at East 59th Street & Lexington Avenue New York, New York  | Owned      | 84,420 SF  | --   |   |                |   |                                       |   |
| <b>NON-OPERATING PROPERTY TO BE DEVELOPED</b>                           |            |  |  |   |                |   |                                       |   |
| Rego Park II Queens, New York   | Owned      | 6.6 acres  | --   |   |                |   |                                       |   |
|   |            |  | 1,460,000<br>=====   |   |                |   |                                       |   |

- (1) Excludes parking garages operated for the benefit of the Company.
- (2) Excludes the 339,000 square foot Macy's store, owned and operated by Federated.
- (3) Leased to the Company through January 2027. The Company is obligated to pay rent to the landlord as follows: \$331,000 per year from February 1997 through January 2007, \$220,000 per year from February 2007 through January 2017, and \$147,000 per year from February 2017 through January 2027.

Operating Properties:

Kings Plaza Regional Shopping Center

The Kings Plaza Regional Shopping Center (the "Center") contains approximately 1.1 million square feet and is comprised of a two-level mall (the "Mall") containing 470,000 square feet and two four-level anchor stores. One of the anchor stores is owned by the Company and leased to Sears, while the other anchor store is owned and operated as a Macy's store by Federated. The Center occupies a 24.3-acre site at the intersection of Flatbush Avenue and Avenue U located in Brooklyn, New York. Among the Center's features are a marina, a five-level parking structure and an energy plant that generates all of the Center's electrical power. The Company has completed an interior renovation at a total cost of \$33,000,000. The exterior of the Center is expected to be renovated in 2002 at a cost of approximately \$4,000,000.

The following table shows lease expirations for the Mall tenants in the Center for the next ten years, assuming none of the tenants exercise renewal options:

| Year | Number of Leases Expiring | Approximate Leased Area in Square Feet Under Expiring Leases | Annualized Fixed Rent Under Expiring Leases | Annualized Fixed Rent Under Expiring Leases per Square Foot | Percent of Total Lease Square Footage Represented by Expiring Leases | Percent of 2001 Gross Annual Base Rental Represented by Expiring Leases |
|------|---------------------------|--|---|---|--|---|
| 2002 | 13                        | 34,800   | \$ 1,637,547                                | \$ 47.06  | 7.70%  | 8.64%   |
| 2003 | 8                         | 22,398   | 1,215,754                                   | 54.28   | 4.96   | 6.41  |
| 2004 | 3                         | 13,137   | 570,231                                     | 43.41   | 2.91   | 3.01  |
| 2005 | 9                         | 2,415  | 554,774                                     | 229.72  | 0.53   | 2.93  |
| 2006 | 15                        | 82,833   | 2,914,633                                   | 35.19   | 18.34  | 15.37   |
| 2007 | 12                        | 49,405   | 2,420,582                                   | 48.99   | 10.94  | 12.77   |
| 2008 | 4                         | 5,341  | 310,312                                     | 58.10   | 1.18   | 1.64  |
| 2009 | 17                        | 79,056   | 4,053,447                                   | 51.27   | 17.50  | 21.38   |
| 2010 | 12                        | 26,469   | 1,767,845                                   | 66.79   | 5.86   | 9.32  |
| 2011 | 14                        | 40,350   | 2,190,759                                   | 54.29   | 8.93   | 11.56   |

The following table shows the occupancy rate and the average annual rent per square foot for the Mall stores as of:

|                   | Occupancy Rate | Average Annual Base Rent Per Square Foot |
|-------------------|----------------|--|
| December 31, 2001 | 96%            | \$ 45.97                                 |
| December 31, 2000 | 91             | 44.66                                    |
| December 31, 1999 | 86             | 43.12                                    |
| December 31, 1998 | 90             | 40.63                                    |
| December 31, 1997 | 86             | 38.17                                    |

## Rego Park I

The Rego Park I property encompasses the entire block fronting on Queens Boulevard and bounded by 63rd Road, 62nd Drive, 97th Street and Junction Boulevard.

The existing 351,000 square foot building was redeveloped in 1996 and is fully leased to Sears, Circuit City, Bed Bath & Beyond, Marshalls and Old Navy. In addition, in conjunction with the redevelopment, a multi-level parking structure was constructed which provides paid parking spaces for approximately 1,200 vehicles.

## Paramus

The Company owns 30.3 acres of land located at the intersection of Routes 4 and 17 in Paramus, New Jersey. The Company's property is located directly across from the Garden State Plaza regional shopping mall, within two miles of three other regional shopping malls and within 10 miles of New York City. This land is leased to IKEA Property, Inc. as discussed below.

On October 5, 2001, the Company entered into a ground lease for its Paramus, N.J. property with IKEA Property, Inc. The lease has a 40-year term with an option to purchase at the end of the 20th year for \$75,000,000. Further, the Company has obtained a \$68,000,000 interest only, non-recourse mortgage loan on the property from a third party lender. The fixed interest rate on the debt is 5.92% with interest payable monthly until maturity in October, 2011. The triple net rent each year is the sum of \$700,000 plus the amount of debt service on the mortgage loan. If the purchase option is not exercised at the end of the 20th year, the triple net rent for the last 20 years must include debt service sufficient to fully amortize the \$68,000,000 over the remaining 20-year lease period.

## Flushing

The Flushing property is located on Roosevelt Avenue and Main Street in the downtown, commercial section of Flushing, Queens. Roosevelt Avenue and Main Street are active shopping districts with many national retailers located in the area. A subway entrance is located directly in front of the property with bus service across the street. It comprises a four-floor building containing 177,000 square feet and a parking garage.

This property has been vacant since March 1999. The Company is currently in discussions with several tenants to re-lease portions of this space.

## Third Avenue

The Company owns the Third Avenue property, a four-floor building and a small surface parking lot located at the intersection of Third Avenue and 152nd Street in the Bronx, New York. The store is located in a densely populated neighborhood. This property is leased to an affiliate of Conway, a New York area discount retailer.

## Property Under Development:

### Lexington Avenue

The Company owns the Lexington Avenue property which comprises the entire square block bounded by Lexington Avenue, East 59th Street, Third Avenue and East 58th Street and is situated in the heart of one of Manhattan's busiest business and shopping districts with convenient access to several subway and bus lines. The property is located directly across the street from Bloomingdale's flagship store and only a few blocks away from both Fifth Avenue and 57th Street.

The development plans at Lexington Avenue currently consist of a proposed 1.4 million square foot multi-use building comprised of a commercial portion, which may include a combination of retail stores and offices, and a residential portion, consisting of condominium units. There can be no assurance that the residential portion will be built. If the residential portion of the property is developed, the air rights representing the residential portion would be held by a taxable REIT subsidiary, as a REIT is not permitted to sell condominiums without being subject to a 100% excise tax on the gain from the sale of such condominiums. The funding required for the proposed building will be in excess of \$650,000,000. The Company is exploring various alternatives for financing the project, including equity, debt, joint ventures and asset sales, which may involve arrangements with Vornado Realty Trust. For a discussion of insurance and its possible effect on financing, see the discussion in Item 2 on page 9.



On May 1, 2001 the Company entered into a lease agreement with Bloomberg L.P. to lease approximately 700,000 square feet. The initial term of the lease is for 25 years, with a ten-year renewal option. Base annual net rent is \$34,221,000 in each of the first four years and \$38,226,000 in the fifth year with a similar percentage increase each four years thereafter. There can be no assurance that the project ultimately will be completed, completed on time or completed for the budgeted amount. If the project is not completed on a timely basis, the lease may be cancelled and significant penalties may apply.

Non-Operating Property to be Developed:

Rego Park II

The Company owns two land parcels adjacent to the Rego Park I property. They are the entire square block bounded by the Long Island Expressway, 97th Street, 62nd Drive and Junction Boulevard and a smaller parcel of approximately one-half square block at the intersection of 97th Street and the Long Island Expressway. Both parcels are currently zoned for residential use. Both parcels are being used for public paid parking. The Company intends to continue to use these properties for paid parking while it evaluates development options.

Insurance

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 are excluding terrorists acts from coverage in all risk policies. The Company is unlikely to be able to obtain all risk insurance which includes coverage for terrorists acts when policies renew in 2002. Therefore, the risk of financial loss in the case of terrorist acts 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. 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.

Item 3. Legal Proceedings

Neither the Company nor any of its subsidiaries is a party to, nor is their property the subject of, any material pending legal proceeding other than routine litigation incidental to their businesses. 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

No matters were submitted to a vote of security holders during the fourth quarter of the year ended December 31, 2001.

Executive Officers of the Company

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

| Name                  | Age | Principal Occupations, Position and Office (current and during the past five years with the Company unless otherwise stated)   |
|-----------------------|-----|--|
| Stephen Mann          | 64  | Chairman of the Board of Directors since March 2, 1995; Interim Chairman of the Board of Directors from August, 1994 to March 1, 1995; Chairman of the Clifford Companies since 1990; and, prior thereto, counsel to Mudge Rose Guthrie Alexander & Ferdon, attorneys.   |
| Steven Roth           | 60  | Chief Executive Officer of the Company since March 2, 1995; Chairman of the Board and Chief Executive Officer of Vornado since May 1989; Chairman of Vornado's Executive Committee of the Board since April 1988; and the Managing General Partner of Interstate, an owner of shopping centers and an investor in securities and partnerships.   |
| Michael D. Fascitelli | 45  | President of the Company since August 1, 2000; Director of the Company and President and Trustee of Vornado Realty Trust since December 2, 1996; President and Director of Vornado Operating Company since 1998; Partner at Goldman, Sachs & Co. in charge of its real estate practice from December 1992 to December 1996; and Vice President at Goldman, Sachs & Co., prior to December 1992.  |
| Joseph Macnow         | 56  | Executive Vice President - Finance and Administration since March 1, 2001; Vice President and Chief Financial Officer of the Company from August 1995 to February 2001; Executive Vice President - Finance and Administration of Vornado since January 1998, and Chief Financial Officer of Vornado since March 2001 and Vice President and Chief Financial Officer of Vornado from 1985 to January 1998.  |
| Patrick T. Hogan      | 34  | Vice President - Chief Financial Officer since March 1, 2001; Vice President of Vornado since March 2001; Vice-President - Chief Financial Officer of Vornado Operating Company since March 2001; Chief Financial Officer and Treasurer for Correctional Properties Trust, a Maryland UPREIT, from February 1998 to February 2001; from June 1996 to February 1998, worked for the Wackenhut Corporation and Subsidiaries managing treasury and financial reporting functions while forming Correctional Properties Trust. |

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Equity and Related Stockholder Matters

The common stock, par value \$1.00 per share, of the Company is traded on the New York Stock Exchange under the symbol "ALX". Set forth below are the high and low sales prices for the Company's common stock for each full quarterly period within the two most recent years:

|                  | High<br>---- | Low<br>--- |
|------------------|--------------|------------|
| 1st Quarter 2001 | \$ 74.63     | \$ 60.93   |
| 2nd Quarter 2001 | 67.60        | 58.38      |
| 3rd Quarter 2001 | 65.40        | 59.09      |
| 4th Quarter 2001 | 61.60        | 56.40      |

|                  | High<br>---- | Low<br>--- |
|------------------|--------------|------------|
| 1st Quarter 2000 | \$ 82.00     | \$ 63.50   |
| 2nd Quarter 2000 | 73.75        | 63.50      |
| 3rd Quarter 2000 | 82.13        | 73.20      |
| 4th Quarter 2000 | 82.00        | 67.00      |

As of December 31, 2001, there were approximately 1,700 holders of record of the Company's common stock. The Company pays dividends only if, as and when declared by its Board of Directors. No dividends were paid in 2001 and 2000. In order to qualify as a REIT, the Company generally is required to distribute as a dividend 90% of its taxable income. At December 31, 2001, the Company had net operating loss carryovers ("NOL's") of approximately \$133,000,000. Under the Internal Revenue Code of 1986, as amended, the Company's NOL's generally would be available to offset the amount of the Company's REIT taxable income that otherwise would be required to be distributed as a dividend to stockholders.

Item 6. Selected Financial Data

Summary of Selected Financial Data  
(Amounts in thousands, except per share data)

|  | Year Ended December 31, |            |            |              |             |
|--|-------------------------|------------|------------|--------------|-------------|
|  | 2001                    | 2000       | 1999       | 1998         | 1997        |
| Operating data:                        |                         |            |            |              |             |
| Total revenues                         | \$ 69,343               | \$ 63,965  | \$ 64,390  | \$ 51,663(3) | \$ 25,369   |
| Net income (loss)                      | \$ 27,386(1)            | \$ 5,197   | 5,524(2)   | (6,055)(4)   | \$ 7,466(5) |
| Income (loss)<br>per common share: (6) | \$ 5.48                 | 1.04       | \$ 1.10    | \$ (1.21)    | \$ 1.49     |
| Balance sheet data:                    |                         |            |            |              |             |
| Total assets                           | \$ 583,339              | \$ 403,305 | \$ 366,496 | \$ 317,043   | \$ 235,074  |
| Real estate, net                       | 380,359                 | 341,492    | 267,203    | 239,157      | 191,733     |
| Debt                                   | 515,831                 | 367,788    | 329,161    | 277,113      | 208,087     |
| Stockholders' equity                   | 45,081                  | 17,695     | 12,498     | 6,974        | 13,029      |

Notes:

- (1) Net income includes the following, (i) gain on sale of the Fordham Road Property of \$19,026 (ii) extraordinary gain from early extinguishment of debt of \$3,534 offset by (iii) \$3,058 resulting from the write-off of architectural and engineering costs associated with development plans at Paramus prior to IKEA, and (iv) \$2,030 from the write-off of professional fees resulting from the termination of the spin-off of Alexander's Tower LLC.
- (2) Net of \$4,877 resulting from the write-off of the asset arising from the straight-lining of rents primarily due to Caldor's rejection of its Flushing lease in 1999.
- (3) In June 1998, the Company increased its interest in the Kings Plaza Mall to 100% by acquiring Federated's 50% interest.
- (4) Net loss includes the write-off of \$15,096 resulting from the razing of the building formerly located at the Company's Lexington Avenue site.
- (5) Includes a gain of \$8,914 from the condemnation of a portion of the Paramus property net of the write-off of the carrying value of the building of \$5,786.
- (6) Income (loss) per share is the same for all years presented with and without dilution. For further discussion of income (loss) per share see notes to the consolidated financial statements.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

The Company had net income of \$27,386,000 for the year ended December 31, 2001, compared to net income of \$5,197,000 in the prior year. Net income for 2001 includes (i) a gain the sale of the Fordham Road property of \$19,026,000, (ii) an extraordinary gain from the early extinguishment of debt of \$3,534,000, partially offset by (iii) a charge of \$3,058,000 resulting from the write-off of architectural and engineering costs associated with the development plans prior to the IKEA Property Inc. (IKEA) ground lease at Paramus, and (iv) a charge of \$2,030,000 resulting from the write-off of professional fees resulting from the termination of the spin-off of Alexander's Tower LLC discussed below.

A wholly-owned subsidiary of the Company, Alexander's Tower LLC (a taxable REIT subsidiary) was formed to hold title to, and develop, the residential portion of the property. During 2001, the Company filed a Form 10 Registration Statement with the Securities and Exchange Commission that would have allowed the Company's possible distribution, to its stockholders, of the equity interest in Alexander's Tower LLC. On December 21, 2001, the Company withdrew and terminated the registration.

Details of the additional changes in the components of net income for the year ended December 31, 2001 as compared to 2000 are discussed below.

RESULTS OF OPERATIONS

Years Ended December 31, 2001 and December 31, 2000

The Company's revenues, which consist of property rentals and tenant expense reimbursements were \$69,343,000 in 2001, compared to \$63,965,000 in 2000, an increase of \$5,378,000.

Property rentals were \$45,625,000 in 2001, compared to \$43,173,000 in 2000, an increase of \$2,452,000. This increase results 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.

Tenant expense reimbursements were \$23,718,000 in 2001, compared to \$20,792,000 in 2000, an increase of \$2,926,000. This increase resulted primarily from (i) higher reimbursements for incremental real estate taxes and repairs and maintenance, and (ii) a \$531,000 adjustment, made in the first quarter of 2000, in the method of allocating an anchor tenant's share of parking lot expenses at the Rego Park I property (which covered a number of years).

Operating expenses were \$29,785,000 in 2001, compared to \$29,040,000 in 2000, an increase of \$745,000. This resulted primarily from an increase in real estate taxes and repairs and maintenance of \$1,534,000, partially offset by the following relating to the Kings Plaza Regional Shopping Center, decreases in (i) operating expenses of \$866,000 primarily from fuel costs at the utility plant and (ii) marketing expenses of \$492,000, partially offset by an accrual of \$675,000 for environmental remediation.

Depreciation and amortization expense was \$6,508,000 in 2001, compared to \$5,543,000 in 2000. This increase of \$965,000 is a result of the interior refurbishment of the Company's Kings Plaza Regional Shopping Center completed in the beginning of 2001.

Interest and debt expense was \$22,469,000 in 2001, compared to \$21,424,000 in 2000, an increase of \$1,045,000. This resulted primarily from (i) \$108,000,000 in additional mortgage borrowings from refinancing the Kings Plaza Regional Shopping Center on June 1, 2001, (ii) a \$68,000,000 mortgage loan on the Paramus property on October 5, 2001, offset by (iii) the repayment of a loan in the amount of \$21,263,000 in connection with the sale on January 12, 2001 of the Fordham Road property. The increase in interest resulting from higher average borrowing was substantially offset by (i) a decrease in average interest rates to 9.20% from 10.07%, and (ii) an increase in capitalized interest relating to the Company's development properties.

Interest and other income was \$3,237,000 in 2001, compared to \$1,124,000 in 2000. This increase of \$2,113,000 results primarily from increased invested cash balances attributable to additional borrowings on the Company's Kings Plaza Regional Shopping Center on June 1, 2001, and Paramus property on October 5, 2001.

Minority interest of \$49,000 in 2001 relates to \$1,200,000 of non-convertible preferred stock that was sold to Vornado Realty Trust by 59th Street Corporation (a wholly-owned subsidiary of the Company) on August 1, 2001. This issue was redeemed by 59th Street Corporation, and a \$49,000 dividend was paid, on December 28, 2001.

Years Ended December 31, 2000 and December 31, 1999

The Company's revenues, which consist of property rentals and tenant expense reimbursements were \$63,965,000 in 2000, compared to \$64,390,000 in 1999, a decrease of \$425,000.

Property rentals were \$43,173,000 in 2000, compared to \$44,232,000 in 1999, a decrease of \$1,059,000. This decrease resulted primarily from Caldor's rejection of its Flushing lease effected March 29, 1999.

Tenant expense reimbursements were \$20,792,000 in 2000, compared to \$20,158,000 in 1999, an increase of \$634,000. This increase resulted primarily from higher reimbursements for a portion of the increased fuel costs of the utility plant at the Company's Kings Plaza Regional Shopping Center; partially offset from a change made in the first quarter of 2000, in the method of allocating an anchor tenant's share of parking lot expenses at the Rego Park I property (which covered a number of years).

Operating expenses were \$29,040,000 in 2000, compared to \$33,081,000 in 1999, a decrease of \$4,041,000. This decrease resulted primarily from: (i) \$4,877,000 representing the write-off of the asset arising from the straight-lining of rents due to Caldor's rejection of its Flushing lease in 1999, (ii) a decrease in repairs and maintenance of \$1,243,000 in 2000, partially offset by an increase in expenses of the utility plant at the Company's Kings Plaza Regional Shopping Center in the current year resulting from higher fuel costs.

General and administrative expenses were \$3,885,000 in 2000, compared to \$3,692,000 in 1999, an increase of \$193,000 primarily as a result of higher professional fees.

Interest and debt expense was \$21,424,000 in 2000, compared to \$17,647,000 in 1999, an increase of \$3,777,000. This increase resulted from (i) an increase in average debt outstanding of \$61,268,000, and (ii) an increase in average interest rates from 8.50% to 10.07%, substantially offset by (iii) an increase in capitalized interest resulting from the Company's development properties.

#### 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) and from the Flushing property (currently vacant) the Company expects that cash flow will become positive.

The development plans at Lexington Avenue currently consist of a proposed 1.4 million square foot multi-use building comprised of a commercial portion, which may include a combination of retail stores and offices, and a residential portion, consisting of condominium units. There can be no assurance that the residential portion will be built. The funding required for the proposed building will be in excess of \$650,000,000. The Company is exploring various alternatives for financing the project, including equity, debt, joint ventures and asset sales, which may involve arrangements with Vornado Realty Trust. For a discussion of insurance and its possible effect on financing, see the discussion below and in Item 2 on page 9.

On May 1, 2001 the Company entered into a lease agreement with Bloomberg L.P. to lease approximately 700,000 square feet in the building under development at Lexington Avenue. The initial term of the lease is for 25 years, with a ten-year renewal option. Base annual net rent is \$34,221,000 in each of the first four years and \$38,226,000 in the fifth year with a similar percentage increase each four years thereafter. There can be no assurance that the project ultimately will be completed, completed on time or completed for the budgeted amount. If the project is not completed on a timely basis, the lease may be cancelled and significant penalties may apply.

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.

On October 5, 2001, the Company entered into a ground lease for its Paramus, N.J. property with IKEA Property, Inc. The lease has a 40-year term with an option to purchase at the end of the 20th year for \$75,000,000. Further, the Company has obtained a \$68,000,000 interest only, non-recourse mortgage loan on the property from a third party lender. The fixed interest rate on the debt is 5.92% with interest payable monthly until maturity in October, 2011. The triple net rent each year is the sum of \$700,000 plus the amount of debt service on the mortgage loan. If the purchase option is not exercised at the end of the 20th year, the triple net rent for the last 20 years must include debt service sufficient to fully amortize the \$68,000,000 over the remaining 20-year lease period. In addition, as a result of this transaction, the Company also repaid \$10,000,000 of the \$20,000,000 outstanding term loan to a bank, which carries an interest rate of LIBOR plus 1.85% (3.75% at December 31, 2001).

The Company sold its Fordham Road property, located in the Bronx, New York, on January 12, 2001. The vacant property contains 303,000 square feet and was sold for \$25,500,000 resulting in a gain of \$19,026,000. In addition, the Company paid off the \$21,263,000 mortgage on this property at a discount, which resulted in an extraordinary gain from the early extinguishment of debt of \$3,534,000.

At December 31, 2001, the Company is indebted to Vornado in the amount of \$119,000,000 comprised of (i) \$95,000,000, the subordinated tranche of a \$105,000,000 secured financing, and (ii) \$24,000,000 under a \$50,000,000 secured line of credit (which carries a 1% unused commitment fee). The interest rate on the loan and line of credit is 13.74% and the maturity has been extended to April 15, 2003. The interest rate on the loan and line of credit will reset on March 15, 2002 and quarterly thereafter, using the same spread to treasuries as presently exists and a 3.00% floor for treasuries. These loans are secured by liens on the Company's assets and/or pledges of the stock of subsidiaries owning the assets and/or guarantees of such subsidiaries and the parent; except the liens do not cover the Kings Plaza Regional Shopping Center, Paramus and Rego Park I and are subordinate to first mortgages and a \$10,000,000 bank term loan which is included in the \$105,000,000 secured financing discussed above.

On June 1, 2001, the Company, through a newly formed subsidiary, completed a \$223,000,000 refinancing of its subsidiary's Kings Plaza Regional Shopping Center property and repaid the then existing balance of \$115,210,000 of debt collateralized by the property from the proceeds of the new loan. The new 10-year mortgage matures in June 2011 and bears interest at a fixed rate of 7.46%. Monthly payments include principal based on a 27-year amortization schedule.

A summary of maturities of debt at December 31, 2001 is as follows:

| Year ending December 31,<br>----- |              |
|-----------------------------------|--------------|
| 2002                              | \$ 2,524,000 |
| 2003                              | 146,721,000  |
| 2004                              | 3,226,000    |
| 2005                              | 3,895,000    |
| 2006                              | 4,199,000    |

The Company estimates that the fair market values of its assets are substantially in excess of their historical cost and that it has additional borrowing capacity. Alexander's 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) 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

Year Ended December 31, 2001

Net cash provided by operating activities of \$9,839,000 was comprised of (i) net income of \$27,386,000, (ii) non-cash items of \$4,824,000, (iii) write-off of architectural and engineering costs of \$3,058,000 associated with the development plans prior to the IKEA Property, Inc. ground lease, (iv) write-off of professional fees of \$2,030,000 resulting from the termination of the spin-off of Alexander's Tower LLC, offset by (v) gain on sale of

Fordham Road property of \$19,026,000, (vi) extraordinary gain from early extinguishment of debt of \$3,534,000, and (vii) the net change in operating assets and liabilities of \$4,899,000. The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of \$7,973,000, offset by (ii) the effect of straight-lining of rental income of \$3,149,000.

Net cash used in investing activities of \$22,995,000 was comprised of (i) proceeds from the sale of Fordham Road property of \$23,701,000, (ii) the release of restricted cash of \$21,670,000, offset by (iii) capital expenditures of \$48,490,000 and (iv) an increase in restricted cash of \$19,876,000. The capital expenditures were primarily comprised of (i) capitalized interest and other carrying costs of \$21,378,000, (ii) renovations to the Kings Plaza Regional Shopping Center of \$3,651,000 and (iii) excavation, foundation and predevelopment costs at Lexington Avenue of \$21,599,000.

Net cash provided by financing activities of \$146,142,000 was comprised of (i) proceeds from the issuance of debt of \$300,685,000 offset by, (ii) repayment of debt of \$149,337,000, and (iii) debt issuance costs of \$5,206,000.

Year Ended December 31, 2000

Cash provided by operating activities of \$10,741,000 was comprised of income after adjustments for non-cash items of \$9,737,000, net of the change in operating assets and liabilities of \$1,004,000. The adjustments for non-cash items are comprised of depreciation and amortization of \$8,049,000 and the effect of straight-lining of rental income of \$3,509,000.

Net cash used in investing activities of \$65,636,000 was comprised of capital expenditures of \$77,931,000, offset by the release of restricted cash of \$12,295,000. The capital expenditures were primarily comprised of: (i) excavation, foundation and predevelopment costs at Lexington Avenue of \$35,300,000, (ii) renovations to the Kings Plaza Regional Shopping Center of \$22,700,000, and (iii) capitalized interest and other carrying costs of \$18,800,000.

Net cash provided by financing activities of \$31,114,000 was comprised of (i) proceeds from the issuance of debt of \$38,849,000, offset by (ii) payment of acquisition obligation of \$6,936,000, (iii) repayments of debt of \$222,000 and (iv) debt issuance costs of \$577,000.

Year Ended December 31, 1999

Cash provided by operating activities of \$17,194,000 was comprised of income after adjustments for non-cash items of \$14,445,000, net of the change in operating assets and liabilities of \$2,749,000. The adjustments for non-cash items are comprised of depreciation and amortization of \$7,460,000 and the effect of straight-lining of rental income of \$1,461,000.

Net cash used in investing activities of \$47,601,000 was primarily comprised of (i) the escrowing of cash from the proceeds from the Kings Plaza Regional Shopping Center which is restricted as to its use \$13,601,000, net of the release of cash from escrow for the condemnation of a portion of the Paramus property \$2,318,000 and (ii) capital expenditures of \$36,318,000.

Net cash provided by financing activities of \$41,097,000 was comprised of (i) proceeds from the issuance of debt of \$137,676,000, offset by (ii) repayments of debt of \$85,628,000, (iii) debt issuance costs of \$3,522,000 and (iv) payment of acquisition obligation of \$7,429,000.



Funds from Operations for the Years Ended December 31, 2001 and 2000

Funds from operations were \$5,785,000 in the year ended December 31, 2001, an increase of \$311,000 from the prior year. The following table reconciles funds from operations and net income:

|   | 2001<br>----          | 2000<br>----          |
|---|-----------------------|-----------------------|
| Net income  | \$ 27,386,000         | \$ 5,197,000          |
| Depreciation and amortization of<br>real property                   | 6,508,000             | 5,543,000             |
| Straight-lining of property rentals<br>for rent escalations         | (3,149,000)           | (3,509,000)           |
| Write-off of the asset arising from the<br>straight-lining of rents | --                    | --                    |
| Gain on sale of Fordham Road property                               | (19,026,000)          | --                    |
| Extraordinary gain from early extinguishment of debt                | (3,534,000)           | --                    |
| Leasing fees paid in excess<br>of expense recognized                | (2,400,000)           | (1,757,000)           |
|   | -----<br>\$ 5,785,000 | -----<br>\$ 5,474,000 |
|   | =====                 | =====                 |

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 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:

|                      | 2001<br>----             | 2000<br>----             |
|----------------------|--------------------------|--------------------------|
| Operating activities | \$ 9,839,000<br>=====    | \$ 10,741,000<br>=====   |
| Investing activities | \$ (22,995,000)<br>===== | \$ (65,636,000)<br>===== |
| Financing activities | \$ 146,142,000<br>=====  | \$ 31,114,000<br>=====   |

Recently Issued Accounting Standards

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 is effective immediately and SFAS No. 142 will be implemented in January 2002. The implementation of these standards did not have an impact on the Company's financial statements.

In August 2001, FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations (effective January 1, 2003) and SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets (effective January 1, 2002). SFAS No. 143 requires the recording of the fair value of a liability for an asset retirement obligation in the period in which it is incurred. SFAS No. 144 supercedes current accounting literature and now provides for a single accounting model for long-lived assets to be disposed of by sale and requires discontinued operations presentation for disposals of a "component" of entity. The Company does not believe that the adoption of SFAS No. 143 and 144 will affect the Company's financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

At December 31, 2001 and 2000, the Company had \$25,000,000 and \$170,788,000 of variable rate debt at weighted average interest rates of 4.95% and 8.36%. In addition, at December 31, 2001 and 2000, the Company had \$490,831,000 and \$197,000,000 of fixed rate debt bearing interest at weighted average interest rates of 8.73% and 12.19%. A one percent increase in the base used to determine the interest rate of the variable rate debt would result in a \$250,000 decrease in the Company's annual net income for the year ended December 31, 2001 (\$.05 per basic and diluted share).

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements

|   | Page<br>Number<br>----- |
|---|-------------------------|
| Independent Auditors' Report  | 20                      |
| Consolidated Balance Sheets at December 31, 2001 and 2000   | 21                      |
| Consolidated Statements of Income for the<br>Years Ended December 31, 2001, 2000 and 1999               | 23                      |
| Consolidated Statements of Stockholders' Equity for the<br>Years Ended December 31, 2001, 2000 and 1999 | 24                      |
| Consolidated Statements of Cash Flows for the<br>Years Ended December 31, 2001, 2000 and 1999           | 25                      |
| Notes to Consolidated Financial Statements  | 26                      |

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Alexander's, Inc. and Subsidiaries (the "Company") as of December 31, 2001 and 2000 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. Our audits also included the financial statement schedules listed in the index at Item 14(a)(2). These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2001, and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey  
March 11, 2002

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

|  | December 31,   |                |
|--|----------------|----------------|
|  | 2001           | 2000           |
| ASSETS:  |                |                |
| Real estate, at cost:  |                |                |
| Land   | \$ 91,969      | \$ 81,656      |
| Buildings, leaseholds and leasehold improvements   | 176,036        | 141,873        |
| Capitalized expenses, development costs and construction in progress                               | 168,737        | 169,811        |
|  | -----          | -----          |
| Total  | 436,742        | 393,340        |
| Less accumulated depreciation and amortization   | (56,383)       | (51,848)       |
|  | -----          | -----          |
| Real estate, net   | 380,359        | 341,492        |
| Asset held for sale (Fordham Road property)  | --             | 4,559          |
| Cash and cash equivalents  | 135,258        | 2,272          |
| Restricted cash  | 6,596          | 8,390          |
| Accounts receivable, net of allowance for doubtful accounts<br>of \$929 and \$722 in 2001 and 2000 | 1,534          | 1,723          |
| Receivable arising from the straight-lining of rents, net  | 18,233         | 15,084         |
| Deferred lease and other property costs  | 29,371         | 24,453         |
| Deferred debt expense  | 5,840          | 2,280          |
| Other assets   | 6,148          | 3,052          |
|  | -----          | -----          |
| <br>TOTAL ASSETS   | <br>\$ 583,339 | <br>\$ 403,305 |
|  | =====          | =====          |

See notes to consolidated financial statements

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

|   | December 31,      |                   |
|---|-------------------|-------------------|
|   | 2001              | 2000              |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>  |                   |                   |
| Debt (including \$119,000 and \$115,000 due to Vornado Realty Trust (Vornado) in 2001 and 2000)   | \$ 515,831        | \$ 367,788        |
| Amounts due to Vornado and its affiliate  | 4,822             | 1,267             |
| Accounts payable and accrued expenses   | 13,940            | 13,821            |
| Other liabilities   | 3,665             | 2,734             |
| <b>TOTAL LIABILITIES</b>  | <b>538,258</b>    | <b>385,610</b>    |
| <b>COMMITMENTS AND CONTINGENCIES</b>  |                   |                   |
| <b>STOCKHOLDERS' EQUITY:</b>  |                   |                   |
| 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/(deficit)   | 16,024            | (11,362)          |
|   | 46,041            | 18,655            |
| Less treasury shares, 172,600 shares at cost  | (960)             | (960)             |
| <b>Total stockholders' equity</b>   | <b>45,081</b>     | <b>17,695</b>     |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>\$ 583,339</b> | <b>\$ 403,305</b> |

See notes to consolidated financial statements

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

|   | Year Ended December 31, |                 |                 |
|---|-------------------------|-----------------|-----------------|
|   | 2001                    | 2000            | 1999            |
| <b>REVENUES:</b>  |                         |                 |                 |
| Property rentals  | \$ 45,625               | \$ 43,173       | \$ 44,232       |
| Expense reimbursements  | 23,718                  | 20,792          | 20,158          |
| <b>Total revenues</b>   | <b>69,343</b>           | <b>63,965</b>   | <b>64,390</b>   |
| <b>EXPENSES:</b>  |                         |                 |                 |
| Operating (including management fee of \$1,362, \$1,337 and \$1,342 to Vornado)                             | 29,785                  | 29,040          | 33,081          |
| Write-off of architectural and engineering costs associated with development plans of Paramus prior to IKEA | 3,058                   | --              | --              |
| General and administrative (including management fee of \$2,160 to Vornado in each year)                    | 3,855                   | 3,885           | 3,692           |
| Depreciation and amortization   | 6,508                   | 5,543           | 5,441           |
| <b>Total expenses</b>   | <b>43,206</b>           | <b>38,468</b>   | <b>42,214</b>   |
| <b>OPERATING INCOME</b>   | <b>26,137</b>           | <b>25,497</b>   | <b>22,176</b>   |
| Interest and debt expense (including interest on loans from Vornado)  | (22,469)                | (21,424)        | (17,647)        |
| Interest and other income, net  | 3,237                   | 1,124           | 995             |
| Write-off professional fees resulting from the termination of the spin-off of Alexander's Tower LLC         | (2,030)                 | --              | --              |
| <b>Income before gain on sale of Fordham Road property and extraordinary item</b>                           | <b>4,875</b>            | <b>5,197</b>    | <b>5,524</b>    |
| Gain on sale of Fordham Road property   | 19,026                  | --              | --              |
| Minority Interest   | (49)                    | --              | --              |
| <b>Income before extraordinary item</b>   | <b>23,852</b>           | <b>5,197</b>    | <b>5,524</b>    |
| Extraordinary gain from early extinguishment of debt  | 3,534                   | --              | --              |
| <b>NET INCOME</b>   | <b>\$ 27,386</b>        | <b>\$ 5,197</b> | <b>\$ 5,524</b> |
| Basic and diluted income per share before extraordinary item  | <b>\$ 4.77</b>          | <b>\$ 1.04</b>  | <b>\$ 1.10</b>  |
| Basic and diluted income per share after extraordinary item   | <b>\$ 5.48</b>          | <b>\$ 1.04</b>  | <b>\$ 1.10</b>  |

See notes to consolidated financial statements.

ALEXANDER'S, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(amounts in thousands)

|                            | Common<br>Stock | Additional<br>Capital | Retained<br>Earnings/<br>(Deficit) | Treasury<br>Stock | Stockholders'<br>Equity |
|----------------------------|-----------------|-----------------------|------------------------------------|-------------------|-------------------------|
| Balance, January 1, 1999   | \$5,174         | \$24,843              | \$(22,083)                         | \$(960)           | \$ 6,974                |
| Net income                 | --              | --                    | 5,524                              | --                | 5,524                   |
| Balance, December 31, 1999 | 5,174           | 24,843                | (16,559)                           | (960)             | 12,498                  |
| Net income                 | --              | --                    | 5,197                              | --                | 5,197                   |
| Balance, December 31, 2000 | 5,174           | 24,843                | (11,362)                           | (960)             | 17,695                  |
| Net income                 | --              | --                    | 27,386                             | --                | --                      |
| Balance, December 31, 2001 | \$5,174         | \$24,843              | \$ 16,024                          | \$(960)           | \$45,081                |

See notes to consolidated financial statements.



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

|   | Year Ended December 31, |           |           |
|---|-------------------------|-----------|-----------|
|   | 2001                    | 2000      | 1999      |
| <hr/>   |                         |           |           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                         |           |           |
| Net income  | \$ 27,386               | \$ 5,197  | \$ 5,524  |
| Adjustments to reconcile net income to net cash provided by operating activities:   |                         |           |           |
| Depreciation and amortization (including debt issuance costs)   | 7,973                   | 8,049     | 7,460     |
| Straight-lining of rental income, net   | (3,149)                 | (3,509)   | (3,416)   |
| Write-off of the asset arising from the straight-lining of rents  | --                      | --        | 4,877     |
| Gain on Sale of Fordham Road property   | (19,026)                | --        | --        |
| Extraordinary gain from early extinguishment of debt  | (3,534)                 | --        | --        |
| Write-off of architectural and engineering costs associated with development plans prior to the IKEA Property Inc. ground lease | 3,058                   | --        | --        |
| Write-off of professional fees resulting from the termination of the spin-off of Alexander's Tower LLC                          | 2,030                   | --        | --        |
| Change in assets and liabilities:   |                         |           |           |
| Accounts receivable   | 189                     | 1,630     | (50)      |
| Amounts due to Vornado and its affiliate  | 3,555                   | (2,554)   | (2,019)   |
| Accounts payable and accrued expenses   | 348                     | 3,017     | 691       |
| Deferred lease and other property costs   | (6,887)                 | (1,526)   | 994       |
| Other liabilities   | 932                     | (546)     | 638       |
| Other   | (3,036)                 | 983       | 2,495     |
|   | -----                   | -----     | -----     |
| Net cash provided by operating activities   | 9,839                   | 10,741    | 17,194    |
|   | -----                   | -----     | -----     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                         |           |           |
| Additions to real estate  | (48,490)                | (77,931)  | (36,318)  |
| Cash made available for construction financing  | 8,388                   | 12,202    | 4,384     |
| Cash restricted for construction financing  | --                      | --        | (17,985)  |
| Cash made available for operating liabilities   | 13,282                  | 93        | 2,318     |
| Cash restricted for operating liability   | (19,876)                | --        | --        |
| Proceeds from sale of Fordham Road Property   | 23,701                  | --        | --        |
|   | -----                   | -----     | -----     |
| Net cash used in investing activities   | (22,995)                | (65,636)  | (47,601)  |
|   | -----                   | -----     | -----     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                         |           |           |
| Issuance of debt  | 300,685                 | 38,849    | 137,676   |
| Debt repayments   | (149,337)               | (222)     | (85,628)  |
| Deferred debt expense   | (5,206)                 | (577)     | (3,522)   |
| Payment of acquisition obligation   | --                      | (6,936)   | (7,429)   |
|   | -----                   | -----     | -----     |
| Net cash provided by financing activities   | 146,142                 | 31,114    | 41,097    |
|   | -----                   | -----     | -----     |
| Net increase (decrease) in cash and cash equivalents  | 132,986                 | (23,781)  | 10,690    |
| Cash and cash equivalents at the beginning of the year  | 2,272                   | 26,053    | 15,363    |
|   | -----                   | -----     | -----     |
| Cash and cash equivalents at the end of the year  | \$ 135,258              | \$ 2,272  | \$ 26,053 |
|   | =====                   | =====     | =====     |
| <b>SUPPLEMENTAL INFORMATION:</b>  |                         |           |           |
| Cash payments for interest (of which \$19,259, \$16,731 and \$9,352 have been capitalized)                                      | \$ 38,793               | \$ 33,979 | \$ 23,266 |
|   | =====                   | =====     | =====     |

See notes to consolidated financial statements.

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

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1. ORGANIZATION AND BUSINESS

Alexander's, Inc. (the "Company") is a real estate investment trust ("REIT") engaged in leasing, managing, developing and redeveloping properties. Alexander's activities are conducted through its manager, Vornado Realty Trust ("Vornado").

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) and from the Flushing property (currently vacant) the Company expects that cash flow will become positive.

The Company estimates that the fair market values of its assets are substantially in excess of their historical cost, and that it has additional borrowing capacity. Alexander's 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) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation -- The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated. Certain reclassifications to prior year amounts have been made to conform with the current year's presentation. The Company currently operates in one business segment.

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.

Cash and Cash Equivalents -- The Company includes in cash and cash equivalents both cash and short-term highly liquid investments purchased with original maturities of three months or less. Cash and cash equivalents does not include cash restricted for construction financing and operating liabilities which is disclosed separately.

Fair Value of Financial Instruments - All financial instruments of the Company are reflected in the accompanying Consolidated Balance Sheets at historical cost which, in management's estimation, based upon an interpretation of available market information and valuation methodologies (including discounted cash flow analyses with regard to fixed rate debt), reasonably approximates their fair values. Such fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition of the Company's financial instruments.

Real Estate and Other Property - Real estate and other property is carried at cost, net of accumulated depreciation. Depreciation is provided on buildings and improvements on a straight-line basis over their estimated useful lives ranging from four years to forty years. When real estate and other property is undergoing development activities, all property operating expenses, including interest expense, are capitalized to the cost of the real property to the extent that management believes such costs are recoverable through the value of the property.

The Company's properties are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the property may not be recoverable. In such an event, a comparison is made of the current and projected operating cash flows of each such property into the foreseeable future on an undiscounted basis, to the carrying amount of such property. Such carrying amount would be adjusted, if necessary, to reflect an impairment in the value of the asset.

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

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

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Revenue Recognition - Base rents, additional rents based on tenants' sales volume and reimbursement of the tenants' share of certain operating expenses are generally recognized when due from tenants. The straight-line basis is used to recognize base rents under leases entered into after November 14, 1985, which provide for varying rents over the lease terms. Contingent rents are not recognized until realized.

Income Taxes - The Company operates in a manner intended to enable it to continue to qualify as a REIT under sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). Under the Code, the Company's net operating loss ("NOL") carryovers generally would be available to offset the amount of the Company's REIT taxable income that otherwise would be required to be distributed as a dividend to its stockholders.

The Company has reported NOL carryovers for federal tax purposes of approximately \$133,000,000 at December 31, 2001, expiring from 2007 to 2015. The Company also has investment tax and targeted jobs tax credits of approximately \$2,800,000 expiring in 2008 through 2014.

The net basis in the Company's assets and liabilities for tax purposes is approximately \$71,000,000 lower than the amount reported for financial statement purposes.

Amounts Per Share - Basic income per share excludes any dilutive effects of stock options. Stock options outstanding were not dilutive in any period.

Stock Options - The Company accounts for stock-based compensation using the intrinsic value method. Under the intrinsic value method compensation cost is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the exercise price of the option granted. Compensation cost for stock options, if any, is recognized ratably over the vesting period. The Company's policy is to grant options with an exercise price equal to the quoted market price of the Company's stock on the grant date. Accordingly, no compensation cost has been recognized for the Company's stock option plans.

Stock Appreciation Rights - Stock Appreciation Rights (SARs) are granted at 100% of the market price of the Common Stock on the date of grant. SARs vest ratably, becoming fully vested 36 months after grant. Expense is recognized ratably in the statement of income if the stock price exceeds the exercise price at the balance sheet date. On subsequent balance sheet dates, if the stock price falls, the previously recognized expense is reversed, but not below zero.

#### Recently Issued Accounting Standards

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 is effective immediately and SFAS No. 142 will be implemented in January 2002. The implementation of these standards did not have an impact on the Company's financial statements.

In August 2001, FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations (effective January 1, 2003) and SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets (effective January 1, 2002). SFAS No. 143 requires the recording of the fair value of a liability for an asset retirement obligation in the period in which it is incurred. SFAS No. 144 supercedes current accounting literature and now provides for a single accounting model for long-lived assets to be disposed of by sale and requires discontinued operations presentation for disposals of a "component" of entity. The Company does not believe that the adoption of SFAS No. 143 and 144 will affect the Company's financial statements.

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

3. DEBT

Debt comprises:

|  | December 31,  |               |
|--|---------------|---------------|
|  | 2001          | 2000          |
| Term loan to Vornado (1)   | \$119,000,000 | \$115,000,000 |
| Term loan to bank (1)  | 10,000,000    | 20,000,000    |
| First mortgage loan, secured by the Company's Kings Plaza Regional Shopping Center (2) | 221,831,000   | 114,525,000   |
| First mortgage loan, secured by the Company's Rego Park I Shopping Center (3)          | 82,000,000    | 82,000,000    |
| First mortgage loan secured by the Company's Paramus Property (4)                      | 68,000,000    | --            |
| Secured note (5)   | 15,000,000    | 15,000,000    |
| First mortgage loan secured by the Company's Fordham Road property (6)                 | --            | 21,263,000    |
|  | \$515,831,000 | \$367,788,000 |

For a discussion of insurance and its possible effect on financing, see the discussion below.

(1) At December 31, 2001, the Company is indebted to Vornado in the amount of \$119,000,000 comprised of (i) \$95,000,000, the subordinated tranche of a \$105,000,000 secured financing, and (ii) \$24,000,000 under a \$50,000,000 secured line of credit (which carries a 1% unused commitment fee). The interest rate on the loan and line of credit is 13.74% and the maturity has been extended to April 15, 2003. The interest rate on the loan and line of credit will reset on March 15, 2002 and quarterly thereafter, using the same spread to treasuries as presently exists and a 3.00% floor for treasuries.

The interest rate on the bank loan is LIBOR plus 1.85% (3.75% at December 31, 2001). The term loan to the bank which was scheduled to mature on March 15, 2002, has been extended to March 15, 2003. In addition, the interest rate will reset on March 15, 2002 using the same spread to LIBOR as presently exists.

The loans are secured by liens on the Company's assets and/or pledges of the stock of subsidiaries owning the assets and/or guarantees of such subsidiaries and the parent; except the liens do not cover the Kings Plaza Regional Shopping Center, Paramus and Rego Park I and are subordinate to first mortgages. The Vornado lien is subordinate to the bank's \$10,000,000 loan. The Vornado loan is prepayable quarterly without penalty. Under the terms of the loans, no dividends can be paid unless required to maintain REIT status.

(2) On June 1, 2001, the Company, through a newly formed subsidiary, completed a \$223,000,000 refinancing of its subsidiary's Kings Plaza Regional Shopping Center property and repaid the then existing balance of \$115,210,000 of debt collateralized by the property from the proceeds of the new loan. The new 10-year mortgage matures in June 2011 and bears interest at a fixed rate of 7.46%. Monthly payments include principal based on a 27-year amortization schedule.

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

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- (3) The mortgage loan, which is an obligation of a wholly-owned subsidiary, matures in May, 2009 and is secured by a mortgage on the Rego Park I property and guaranteed by the Company. The loan bears interest at a fixed rate of 7.25%. Amortization of principal begins in July 2004 on a 30-year schedule.
- (4) The \$68,000,000 interest only, non-recourse mortgage loan on the Paramus property is from a third party lender. The fixed interest rate on the debt is 5.92% with interest payable monthly until maturity in October, 2011.
- (5) The note is secured by a third mortgage on the Lexington Avenue property. The note bears annual interest at Prime plus 1% (5.75% at December 31, 2001) and is prepayable without penalty.
- (6) The Company's mortgage loan, which was an obligation of a wholly-owned subsidiary of the Company, has been satisfied in connection with the sale of the Fordham Road property on January 12, 2001.

A summary of maturities of debt at December 31, 2001, is as follows:

| Year Ending December 31, |              |
|--------------------------|--------------|
| -----                    |              |
| 2002                     | \$ 2,524,000 |
| 2003                     | 146,721,000  |
| 2004                     | 3,226,000    |
| 2005                     | 3,895,000    |
| 2006                     | 4,199,000    |

All of the Company's debt is secured by mortgages and/or pledges of the stock of subsidiaries holding the properties. The net carrying value of real estate collateralizing the debt amounted to \$380,359,000 at December 31, 2001.

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.

#### 4. LEASES

As Lessor

The Company leases properties to tenants. The rental terms for the properties leased range from 5 years to approximately 40 years. The leases provide for the payment of fixed base rentals payable monthly in advance and for the payment by the lessees of additional rents based on a percentage of the tenants' sales as well as reimbursements of real estate taxes, insurance and maintenance.

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

Future base rental revenue under these noncancellable operating leases (other than leases which have not commenced, including Bloomberg) is as follows:

| Year Ending<br>December 31,<br>----- | Total<br>Amounts<br>----- |
|--------------------------------------|---------------------------|
| 2002                                 | \$ 38,446,000             |
| 2003                                 | 38,611,000                |
| 2004                                 | 38,908,000                |
| 2005                                 | 38,667,000                |
| 2006                                 | 36,668,000                |
| Thereafter                           | 497,089,000               |

Included in operating expenses for the year ended December 31, 1999 is \$4,877,000 resulting from the write-off of the asset arising from the straight-line of rents primarily as a result of Caldor's rejection of its Flushing lease in 1999.

Sears accounted for 21%, 21% and 22% of the Company's consolidated revenues for the years ended December 31, 2001, 2000, and 1999, respectively. No other tenant accounted for more than 10% of revenues.

As Lessee

The Company is a tenant under long-term leases. Future minimum lease payments under the operating leases are as follows:

| Year Ending<br>December 31,<br>----- | Total<br>Amounts<br>----- |
|--------------------------------------|---------------------------|
| 2002                                 | \$ 416,000                |
| 2003                                 | 416,000                   |
| 2004                                 | 416,000                   |
| 2005                                 | 416,000                   |
| 2006                                 | 416,000                   |
| Thereafter                           | 4,847,000                 |

Rent expense was \$416,000 for each of the years ended December 31, 2001, 2000 and 1999.

5. LEXINGTON AVENUE

On May 1, 2001 the Company entered into a lease agreement with Bloomberg L.P. to lease approximately 700,000 square feet. The initial term of the lease is for 25 years, with a ten-year renewal option. Base annual net rent is \$34,221,000 in each of the first four years and \$38,226,000 in the fifth year with a similar percentage increase each four years thereafter. There can be no assurance that the project ultimately will be completed, completed on time or completed for the budgeted amount. If the project is not completed on a timely basis, the lease may be cancelled and significant penalties may apply.

The development plans at Lexington Avenue currently consist of a proposed 1.4 million square foot multi-use building comprised of a commercial portion, which may include a combination of retail stores and office, and a residential portion, consisting of condominium units. There can be no assurance that the residential portion will be built. If the residential portion of the property is developed, the air rights representing the residential portion would be held by a taxable REIT subsidiary, as a REIT is not permitted to sell condominiums without being subject to a 100% excise tax on the gain from the sale of such condominiums. In connection therewith, a wholly-owned subsidiary of the Company, Alexander's Tower LLC (a taxable REIT subsidiary) was formed to hold title to, and develop, the residential portion of the property. During 2001, the Company filed a Form 10 Registration Statement with the Securities and Exchange Commission that would have allowed the Company's possible distribution, to its stockholders, of the equity interest in Alexander's Tower LLC. On December 21, 2001, the Company withdrew and terminated the registration. Accordingly, the Company wrote-off professional fees associated therewith of \$2,030,000 for the year.

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

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The funding required for the proposed building will be in excess of \$650,000,000. The Company is exploring various alternatives for financing the project, including equity, debt, joint ventures and asset sales, which may involve arrangements with Vornado Realty Trust. For a discussion of insurance and its possible effect on financing, see the discussion below.

6. PARAMUS PROPERTY

On October 5, 2001, the Company entered into a ground lease for its Paramus, N.J. property with IKEA Property, Inc. The lease has a 40-year term with an option to purchase at the end of the 20th year for \$75,000,000. Further, the Company has obtained a \$68,000,000 interest only, non-recourse mortgage loan on the property from a third party lender. The fixed interest rate on the debt is 5.92% with interest payable monthly until maturity in October, 2011. The triple net rent each year is the sum of \$700,000 plus the amount of debt service on the mortgage loan. If the purchase option is not exercised at the end of the 20th year, the triple net rent for the last 20 years must include debt service sufficient to fully amortize the \$68,000,000 over the remaining 20-year lease period.

7. KINGS PLAZA REGIONAL SHOPPING CENTER

The Company has completed an interior renovation of the Kings Plaza Regional Shopping Center (the "Center") at a cost of \$33,000,000. These costs were reclassified to "Buildings, leaseholds and leasehold improvements" from "Capitalized expenses, development costs and construction in progress" during the first quarter of 2001. The exterior of the Center is expected to be renovated in 2002 at a cost of approximately \$4,000,000.

8. SALE OF FORDHAM ROAD PROPERTY

The Company sold its Fordham Road property, located in the Bronx, New York, on January 12, 2001. The vacant property contains 303,000 square feet and was sold for \$25,500,000 resulting in a gain of \$19,026,000. In addition, the Company paid off the mortgage on this property at a discount, which resulted in an extraordinary gain from the early extinguishment of debt of \$3,534,000. Included in the expenses resulting from the sale, the Company paid a commission of \$1,020,000, of which \$520,000 was paid to Vornado.

9. RELATED PARTY TRANSACTIONS

Steven Roth is Chief Executive Officer and a director of the Company, the Managing General Partner of Interstate Properties ("Interstate") and Chairman of the Board and Chief Executive Officer of Vornado. At December 31, 2001, Mr. Roth, Interstate and the other two general partners of Interstate, David Mandelbaum and Russell B. Wight, Jr. (who are also directors of the Company and trustees of Vornado) own, in the aggregate, 27.5% of the outstanding common stock of the Company, and 15.5% of the outstanding common shares of beneficial interest of Vornado.

The Company is managed by and its properties are redeveloped and leased by Vornado, pursuant to agreements with a one-year term expiring in March of each year which are automatically renewable.

The annual management fee payable by the Company to Vornado is equal to the sum of (i) \$3,000,000, (ii) 3% of the gross income from the Mall, plus (iii) 6% of development costs with minimum guaranteed fees of \$750,000 per annum. The leasing agreement provides for the Company to pay a fee to Vornado equal to (i) 3% of the gross proceeds, as defined, from the sale of an asset and (ii) in the event of a lease or sublease of an asset, 3% of lease rent for the first ten years of a lease term, 2% of lease rent for the eleventh through the twentieth years of a lease term and 1% of lease rent for the twenty-first through thirtieth year of a lease term, subject to the payment of rents by tenants. Such amount is payable annually in an amount not to exceed \$2,500,000, until the present value of such installments (calculated at a discount rate of 9% per annum), equals the amount that would have been paid had it been paid at the time the transactions which gave rise to the commissions occurred. Pursuant to the leasing agreement, in the event third party real estate brokers are used, the fees to Vornado increase by 1% and Vornado is responsible for the fees to the third party real estate brokers. Under these agreements, the Company incurred fees of \$9,361,000, \$6,721,000 and \$7,237,000 for the years ended December 31, 2001, 2000 and 1999. At December 31, 2001 the Company owes Vornado \$2,249,000 for leasing fees.

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

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The Company has \$119,000,000 of outstanding loans with Vornado. The Company incurred interest on the loans of \$17,455,000, \$15,934,000 and \$7,857,000 for the years ended December 31, 2001, 2000 and 1999.

Minority Interest

In connection with tax planning for the development of the Company's Lexington Avenue property, 100 shares of \$.01 par value preferred stock was sold by 59th Street Corporation (a wholly-owned subsidiary of the Company) to Vornado on August 1, 2001 for \$1,200,000. The non-convertible preferred stock entitles the holder to cumulative 10% dividends payable semi-annually and is redeemable at any time at the option of 59th Street Corporation. On December 28, 2001, 59th Street Corporation redeemed this issue and paid a \$49,000 dividend.

10. 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 are excluding terrorists acts from coverage in all risk policies. The Company is unlikely to be able to obtain all risk insurance which includes coverage for terrorists acts when policies renew in 2002. Therefore, the risk of financial loss in the case of terrorist acts 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. 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.

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. The New York State Department of Environmental Conservation ("NYDEC") has approved a portion of the remediation approach. The Company accrued \$2,000,000 in previous years (\$1,830,000 has been paid as of December 31, 2001) 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. Based upon revised estimates, the Company accrued an additional \$675,000 in the second quarter of 2001. 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 any potentially responsible third parties, there can be no assurance that such parties will be identified, or if identified, whether these potentially responsible third parties will be solvent. In addition, the costs associated with pursuing any potentially responsible parties may be cost prohibitive. The Company has not recorded an asset as of December 31, 2001 for potential recoveries of environmental remediation costs from other parties.

Neither the Company nor any of its subsidiaries is a party to, nor is their property the subject of, any material pending legal proceeding other than routine litigation incidental to their businesses. 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 December 31, 2001.



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

11. STOCK OPTION PLAN

Under the Omnibus Stock Plan (the "Plan"), approved by the Company's stockholders on May 22, 1996, directors, officers, key employees, employees of Vornado Realty Trust and any other person or entity as designated by the Omnibus Stock Plan Committee are eligible to be granted incentive share options and non-qualified options to purchase common shares. Options granted are at prices equal to 100% of the market price of the Company's shares at the date of grant, vest on a graduated basis, becoming fully vested 36 months after grant and expire ten years after grant. The Plan also provides for the award of Stock Appreciation Rights, Performance Shares and Restricted Stock, as defined.

If compensation cost for Plan awards had been determined based on fair value at the grant dates, net income and income per share would have been reduced to the pro forma amounts below, for the years ended December 31, 2001, 2000 and 1999:

|   | 2001<br>----- | 2000<br>----- | 1999<br>-----  |
|---|---------------|---------------|----------------|
| Net income:   |               |               |                |
| As reported   | \$ 27,386,000 | \$ 5,197,000  | \$ 5,524,000   |
| Pro forma   | \$ 25,851,000 | \$ 3,662,000  | \$ (1,414,000) |
| Net income per share<br>applicable to common<br>shareholders: |               |               |                |
| As reported   | \$ 5.48       | \$ 1.04       | \$ 1.10        |
| Pro forma   | \$ 5.17       | \$ .73        | \$ (.28)       |

The fair value of each option grant is estimated on the date of grant using an option-pricing model with the following weighted-average assumptions used for grants in the period ended December 31, 1999 (no options were granted in the year ended December 31, 2001 or 2000):

|                         | 1999<br>----- |
|-------------------------|---------------|
| Expected Volatility     | 38%           |
| Expected Life           | 5 years       |
| Risk-free interest rate | 6.45%         |
| Expected dividend yield | 0%            |

A summary of the Plan's status, and changes during the years ended December 31, 2001, 2000 and 1999 are presented below:

|  | December 31, 2001<br>----- |   | December 31, 2000<br>----- |   | December 31, 1999<br>----- |   |
|--|----------------------------|---|----------------------------|---|----------------------------|---|
|  | Shares                     | Weighted-<br>Average<br>Exercise<br>Price | Shares                     | Weighted-<br>Average<br>Exercise<br>Price | Shares                     | Weighted-<br>Average<br>Exercise<br>Price |
| Outstanding at January 1                                       | 105,000                    | \$ 70.38                                  | 955,000                    | \$ 71.66                                  | 350,000                    | \$ 73.88                                  |
| Granted  | --                         | --  | --                         | --  | 605,000                    | 70.38                                     |
| Exercised  | --                         | --  | --                         | --  | --                         | --  |
| Converted to Stock<br>Appreciation Rights                      | --                         | --  | (850,000)                  | 71.82                                     | --                         | --  |
| Outstanding at December 31                                     | 105,000                    | \$ 70.38                                  | 105,000                    | \$ 70.38                                  | 955,000                    | \$ 71.66                                  |
| Weighted-average fair value of<br>options granted (per option) | \$ --                      | --  | \$ --                      | --  | \$ 40.81                   | --  |

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

The following table summarizes information about options outstanding under the Plan at December 31, 2001:

|   |  |           |
|---|--|-----------|
| Options outstanding:                        |  |           |
| Number outstanding at December 31, 2001     |  | 105,000   |
| Weighted-average remaining contractual life |  | 7.2 Years |
| Weighted-average exercise price             |  | \$ 70.375 |
| Options exercisable:                        |  |           |
| Number exercisable at December 31, 2001     |  | 70,350    |
| Weighted-average exercise price             |  | \$ 70.375 |

Shares available for future grant at December 31, 2001 were 895,000.

On June 5, 2000, the Board of Directors approved the conversion of 850,000 stock options of two officers/directors into equivalent stock appreciation rights (SARs). The SARs have the same vesting terms and strike prices as the options. Accounting for SARs is reflected in the statement of operations, whereas the accounting for stock options is not. Since the stock price at December 31, 2001 is less than the strike price, no expense is included in the statement of operations for the year ended December 31, 2001. SARs, unlike options, are not aggregated under the REIT rules.

12. INCOME PER SHARE

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

|  | December 31, |              |              |
|--|--------------|--------------|--------------|
|  | 2001         | 2000         | 1999         |
| <b>Numerator:</b>  |              |              |              |
| Income before extraordinary item .....   | \$23,852,000 | \$ 5,197,000 | \$ 5,524,000 |
| Extraordinary item .....   | 3,534,000    | --           | --           |
|  | -----        | -----        | -----        |
| Net income .....   | \$27,386,000 | \$ 5,197,000 | \$ 5,524,000 |
|  | =====        | =====        | =====        |
| <b>Denominator</b>   |              |              |              |
| Denominator for basic income per share -<br>weighted average shares .....                                      | 5,000,850    | 5,000,850    | 5,000,850    |
| Effect of dilutive securities:   |              |              |              |
| Employee stock options .....   | --           | 4,927        | 22,072       |
|  | -----        | -----        | -----        |
| Denominator for diluted income per share-<br>adjusted weighted average shares and<br>assumed conversions ..... | 5,000,850    | 5,005,777    | 5,022,922    |
|  | =====        | =====        | =====        |
| <b>INCOME PER COMMON SHARE -</b>   |              |              |              |
| <b>BASIC AND DILUTED:</b>  |              |              |              |
| Income before extraordinary item .....   | \$ 4.77      | \$ 1.04      | \$ 1.10      |
| Extraordinary item .....   | .71          | --           | --           |
|  | -----        | -----        | -----        |
| Net income per common share .....  | \$ 5.48      | \$ 1.04      | \$ 1.10      |
|  | =====        | =====        | =====        |

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

13. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)  
(amounts in thousands except per share amounts)

|                   | REVENUE   | NET INCOME (LOSS) | NET INCOME (LOSS) PER<br>COMMON SHARE (1) |         |
|-------------------|-----------|-------------------|---|---------|
|                   |           |                   | BASIC                                     | DILUTED |
| 2001              |           |                   |   |         |
| March 31.....     | \$ 16,890 | \$ 25,607 (2)     | \$ 5.12                                   | \$ 5.12 |
| June 30.....      | 17,062    | 2,070             | .41                                       | .41     |
| September 30..... | 16,420    | 2,242             | .45                                       | .45     |
| December 31.....  | 18,971    | (2,533) (3)       | (.51)                                     | (.51)   |
| 2000              |           |                   |   |         |
| March 31.....     | \$ 15,086 | \$ 1,427          | \$ .29                                    | \$ .28  |
| June 30.....      | 16,088    | 233 (4)           | .05                                       | .05     |
| September 30..... | 16,382    | (5,423) (4)       | (1.08)                                    | (1.08)  |
| December 31.....  | 16,409    | 8,960 (4)         | 1.79                                      | 1.79    |

- (1) The total for the year may differ from the sum of the quarters as a result of weighting.
- (2) Includes a gain on the sale of the Fordham Road property of \$19,026 and an extraordinary gain from the early extinguishment of debt of \$3,534.
- (3) Includes of a charge of (i) \$3,058 resulting from the write off of architectural and engineering costs associated with the development plans at Paramus prior to the IKEA ground lease, and (ii) a charge of \$2,030 from the write-off of professional fees resulting from the termination of the spin-off of Alexander's Tower LLC.
- (4) Net of Stock Appreciation Rights (SARs) expense of \$983 and \$5,881 in the second and third quarter of 2000, respectively. The fourth quarter of 2000 includes \$6,864 representing the reversal of the SARs expense previously recognized during 2000.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information resulting from directors and executive officers of the Company will be contained in a definitive Proxy Statement involving the election of directors which the Company will file with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, not later than 120 days after December 31, 2001, and such information is incorporated herein by reference. Information resulting from Executive Officers of the Registrant appears on page 10 of this Annual Report on Form 10-K.

Item 11. Executive Compensation

Information resulting from executive compensation will be contained in the Proxy Statement referred to above in Item 10, "Directors and Executive Officers of the Registrant", and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information resulting from security ownership of certain beneficial owners and management will be contained in the Proxy Statement referred to in Item 10, "Directors and Executive Officers of the Registrant", and such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Information resulting from certain relationships and related transactions will be contained in the Proxy Statement referred to in Item 10, "Directors and Executive Officers of the Registrant", and such information is incorporated herein by reference.

PART IV

ITEM 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Documents filed as part of this Report

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

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

Pages in this  
Annual Report  
on Form 10-K  
-----

|   |    |
|---|----|
| Schedule II - Valuation and Qualifying Accounts - years ended<br>December 31, 2001, 2000 and 1999 | 39 |
| Schedule III - Real Estate and Accumulated Depreciation as of<br>December 31, 2001                | 40 |

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

3. Exhibits

See Exhibit Index on page 42

(b) Reports on Form 8-K

During the last quarter of the period covered by this Annual Report on Form 10-K, no reports on Form 8-K were filed.

SIGNATURES

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

ALEXANDER'S, INC.

By: /s/ Patrick T. Hogan

-----  
Patrick T. Hogan  
Vice President and Chief Financial  
Officer

Date: March 11, 2002

-----

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

| Signature<br>-----  | Title<br>-----  | Date<br>-----  |
|---|---|----------------|
| /s/ Steven Roth<br>-----<br>Steven Roth                     | Chief Executive Officer and Director<br><br>(Principal Executive Officer) | March 11, 2002 |
| /s/ Michael D. Fascitelli<br>-----<br>Michael D. Fascitelli | President and Director  | March 11, 2002 |
| /s/ Thomas R. DiBenedetto<br>-----<br>Thomas R. DiBenedetto | Director  | March 11, 2002 |
| /s/ David Mandelbaum<br>-----<br>David Mandelbaum           | Director  | March 11, 2002 |
| /s/ Stephen Mann<br>-----<br>Stephen Mann                   | Director  | March 11, 2002 |
| /s/ Arthur I. Sonnenblick<br>-----<br>Arthur I. Sonnenblick | Director  | March 11, 2002 |
| /s/ Neil Underberg<br>-----<br>Neil Underberg               | Director  | March 11, 2002 |
| /s/ Richard West<br>-----<br>Richard West                   | Director  | March 11, 2002 |
| /s/ Russell B. Wight, Jr.<br>-----<br>Russell B. Wight, Jr. | Director  | March 11, 2002 |

ALEXANDER'S INC. AND SUBSIDIARIES

SCHEDULE II  
VALUATION AND QUALIFYING ACCOUNTS

| Column A<br>-----<br>(amounts in thousands)<br>Description<br>-----   | Column B<br>-----<br>Balance<br>at Beginning<br>of Year<br>----- | Column C<br>-----<br>Additions<br>Charged Against<br>Operations<br>----- | Column D<br>-----<br>Deductions<br>Description<br>-----<br>Amount<br>----- | Column E<br>-----<br>Balance<br>at End<br>of Year<br>----- |
|---|--|--|--|--|
| Year Ended December 31, 2001:   |  |  |  |  |
| Deducted from accounts receivable,<br>allowance for doubtful accounts | \$ 722<br>=====  | \$ 365<br>=====  | Uncollectible accounts<br>written-off<br>\$ 158<br>=====                   | \$ 929<br>=====  |
| Year Ended December 31, 2000:   |  |  |  |  |
| Deducted from accounts receivable<br>allowance for doubtful accounts  | \$ 314<br>=====  | \$ 413<br>=====  | Uncollectible accounts<br>written-off<br>\$ 5<br>=====                     | \$ 722<br>=====  |
| Year Ended December 31, 1999:   |  |  |  |  |
| Deducted from accounts receivable,<br>allowance for doubtful accounts | \$ 841<br>=====  | \$ (68)<br>=====   | Uncollectible accounts<br>written-off<br>\$ 459<br>=====                   | \$ 314<br>=====  |

ALEXANDER'S, INC. AND SUBSIDIARIES  
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
DECEMBER 31, 2001  
(amounts in thousands)

| Column A                    | Column B     | Column C  |  | Column D   |
|-----------------------------|--------------|-----------|--|--|
| -----                       |              |           |  |  |
| Initial Cost to Company(2)  |              |           |  |  |
| -----                       |              |           |  |  |
| Description                 | Encumbrances | Land      | Building,<br>Leaseholds<br>and Leasehold<br>Improvements | Cost<br>Capitalized<br>Subsequent to<br>Acquisition(3) |
| -----                       |              |           |  |  |
| Commercial Property:        |              |           |  |  |
| New York City,              |              |           |  |  |
| New York:                   |              |           |  |  |
| Third Avenue                | \$ --        | \$ 1,201  | \$ 4,437   | \$ --  |
| Rego Park I                 | 82,000       | 1,647     | 8,953  | 57,641   |
| Rego Park II                | --           | 3,906     | 1,467  | 451  |
| Flushing                    | --           | --        | 1,660  | 1,553  |
| Lexington Ave.              | 15,000       | 14,432    | 12,355   | 186,044  |
| Kings Plaza                 |              |           |  |  |
| Regional Shopping<br>Center | 221,831      | 497       | 9,542  | 113,432  |
| -----                       |              |           |  |  |
| Total New York              | 318,831      | 21,683    | 38,414   | 359,121  |
|                             |              |           |  |  |
| New Jersey - Paramus        | 68,000       | 1,441     | --   | 10,313   |
| Other Properties            | --           | 599       | 1,804  | 3,367  |
| -----                       |              |           |  |  |
| Other secured debt          | 129,000(1)   |           |  |  |
| -----                       |              |           |  |  |
| TOTAL                       | \$ 515,831   | \$ 23,723 | \$ 40,218  | \$ 372,801   |
| =====                       |              |           |  |  |

| Column A   | Column E  |   |   | Column F   | Column G   |                         |
|--|-----------|---|---|------------|--|-------------------------|
| -----  |           |   |   |            |  |                         |
| Gross Amount at which Carried at Close of Period |           |   |   |            |  |                         |
| -----  |           |   |   |            |  |                         |
| Description                                      | Land      | Buildings,<br>Leasehold<br>and Leaseholds<br>Improvements | Capitalized<br>Expenses<br>and Pre-<br>development<br>Costs | Total(3)   | Accumulated<br>Depreciation<br>and<br>Amortization | Date of<br>Construction |
| -----  |           |   |   |            |  |                         |
| Commercial Property:                             |           |   |   |            |  |                         |
| New York City,                                   |           |   |   |            |  |                         |
| New York:  |           |   |   |            |  |                         |
| Third Avenue                                     | \$ 1,201  | \$ 4,437  | \$ --   | \$ 5,638   | \$ 3,239   | 1928                    |
| Rego Park I                                      | 1,647     | 66,594  | --  | 68,241     | 17,428   | 1959                    |
| Rego Park II                                     | 3,906     | 1,566   | 352   | 5,824      | 1,468  | 1965                    |
| Flushing   | --        | 3,213   | --  | 3,213      | 1,681  | 1975(4)                 |
| Lexington Ave.                                   | 48,379    | --  | 164,452   | 212,831    | --   | --                      |
| Kings Plaza                                      |           |   |   |            |  |                         |
| Regional Shopping<br>Center                      | 24,483    | 98,422  | 566   | 123,471    | 30,761   | 1970                    |
| -----  |           |   |   |            |  |                         |
| Total New York                                   | 79,616    | 174,232   | 165,370   | 419,218    | 54,577   |                         |
|  |           |   |   |            |  |                         |
| New Jersey - Paramus                             | 11,754    | --  | --  | 11,754     | --   | --                      |
| Other Properties                                 | 599       | 1,804   | 3,367   | 5,770      | 1,806  | Various                 |
| -----  |           |   |   |            |  |                         |
| Other secured debt                               |           |   |   |            |  |                         |
| -----  |           |   |   |            |  |                         |
| TOTAL  | \$ 91,969 | \$ 176,036  | \$ 168,737  | \$ 436,742 | \$ 56,383  |                         |
| =====  |           |   |   |            |  |                         |

| Column A | Column H | Column I  |
|----------|----------|---|
| -----    |          |   |
|          | Date     | Life on Which<br>Depreciation in<br>Latest Income<br>Statement is |



| Description              | Acquired(2) | Computed    |
|--------------------------|-------------|-------------|
| Commercial Property:     |             |             |
| New York City,           |             |             |
| New York:                |             |             |
| Third Avenue             | 1992        | 40 years    |
| Rego Park I              | 1992        | 15-39 years |
| Rego Park II             | 1992        | 38-39 years |
| Flushing                 | 1992        | 26 years    |
| Lexington Ave.           | 1992        | --          |
| Kings Plaza              |             |             |
| Regional Shopping Center | 1992        | 7-50 years  |
| Total New York           |             |             |
| New Jersey - Paramus     | 1992        | --          |
| Other Properties         | 1992        | 7-25 years  |
| Other secured debt       |             |             |
| TOTAL                    |             |             |

- (1) The loans, which were scheduled to mature in March 2001, have been extended to April 2003. The loans are secured by liens on the Company's assets and/or pledges of the stock of subsidiaries owning the assets and/or guarantees of such subsidiaries and the parent; except for the Kings Plaza Regional Shopping Center, Paramus and Rego Park I. These liens are subordinate to first mortgages.
- (2) Initial cost is as of May 15, 1992 (the date on which the Company commenced real estate operations) unless acquired subsequent to that date. See Column H.
- (3) The net basis in the Company's assets and liabilities for tax purposes is approximately \$71,000 lower than the amount reported for financial statement purposes.
- (4) Date represents lease acquisition date.
- (5) The Fordham Road property was sold on January 12, 2001 and the related encumbrance was satisfied. At December 31, 2000 such property was classified as "asset held for sale."

ALEXANDER'S, INC. AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
(amounts in thousands)

|   | December 31, |            |            |
|---|--------------|------------|------------|
|   | 2001         | 2000       | 1999       |
|   | -----        | -----      | -----      |
| REAL ESTATE:  |              |            |            |
| Balance at beginning of period                      | \$ 404,935   | \$ 327,004 | \$ 290,686 |
| Additions during the period:                        |              |            |            |
| Buildings, leaseholds and<br>leasehold improvements | 3,118        | 1,541      | 6,846      |
| Capitalized expenses and development costs          | 45,372       | 76,390     | 29,472     |
|   | -----        | -----      | -----      |
|   | 453,425      | 404,935    | 327,004    |
| Less: asset sold and written-off                    | 16,683       | --         | --         |
|   | -----        | -----      | -----      |
| Balance at end of period                            | \$ 436,742   | \$ 404,935 | \$ 327,004 |
|   | =====        | =====      | =====      |
| ACCUMULATED DEPRECIATION:                           |              |            |            |
| Balance at beginning of period                      | \$ 58,884    | \$ 55,199  | \$ 51,529  |
| Additions charged to operating<br>expenses          | 4,535        | 3,685      | 3,670      |
|   | -----        | -----      | -----      |
|   | 63,419       | 58,884     | 55,199     |
| Less: asset sold                                    | (7,036)      | --         | --         |
|   | -----        | -----      | -----      |
| Balance at end of period                            | \$ 56,383    | \$ 58,884  | \$ 55,199  |
|   | =====        | =====      | =====      |

Index to Exhibits

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

| EXHIBIT<br>NO.<br>--- |   | PAGE<br>---- |
|-----------------------|---|--------------|
| 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)           | -- Agreement, dated as of December 4, 1985, among Seven Thirty One Limited Partnership ("731 Limited Partnership"), Alexander's Department Stores of Lexington Avenue, Inc., the Company, Emanuel Gruss, Riane Gruss and Elizabeth Goldberg (collectively, the "Partners"). Incorporated herein by reference from Exhibit 10(i)(F)(1) to the Registrant's Form 10-K for the fiscal year ended July 26, 1986 ..... | *            |
| 10(i)(A)(2)           | -- Amended and Restated Agreement of Limited Partnership in the 731 Limited Partnership, dated as of August 21, 1986, among the Partners. Incorporated herein by reference from Exhibit 1 to the Registrant's Current Report on Form 8-K, dated August 21, 1986 .....   | *            |
| 10(i)(A)(3)           | -- Third Amendment to Amended and Restated Agreement of Limited Partnership dated December 30, 1994, among the Partners. Incorporated herein by reference from Exhibit 10(i)(A)(3) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994 ..   | *            |
| 10(i)(B)(1)           | -- Promissory Note Modification Agreement, dated October 4, 1993, between Alexander's Department Stores of New Jersey, Inc. and New York Life Insurance Company ("New York Life"). Incorporated herein by reference from Exhibit 10(i)(3)(a) to the Registrant's Form 10-K for the Transition Period August 1, 1993 to December 31, 1993 .....  | *            |
| 10(i)(B)(2)           | -- Mortgage Modification Agreement, dated October 4, 1993, by Alexander's Department Stores of New Jersey, Inc. and New York Life. Incorporated herein by reference from Exhibit 10(i)(E)(3)(a) to the Registrant's Form 10-K for the Transition Period August 1, 1993 to December 31, 1993 .....   | *            |
| 10(i)(C)              | -- Credit Agreement, dated March 15, 1995, among the Company and Vornado Lending Corp. Incorporated herein by reference from Exhibit 10(i)(C) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994 .....   | *            |
| 10(i)(C)(1)           | -- Modification and Extension of Credit Agreement, dated as of March 13, 2000, between Vornado Lending L.L.C., as Lender, and Alexander's Inc., as Borrower. Incorporated herein by reference from Exhibit 10(i)(C)(1) to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2000 .....   | *            |
| 10(i)(C)(2)           | -- First Modification and Extension of Credit Agreement dated as of March 15, 2000 between Alexander's, Inc., as borrower, and Vornado Lending L.L.C. as lender. Incorporated herein by reference from Exhibit 10(i) (c) 2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001 .....   | *            |
| 10 (i)(C)(3)          | -- First Note Modification and Extension Agreement dated as of March 15, 2000 between Alexander's Inc. as borrower, and Vornado Lending L.L.C., as lender. Incorporated herein by reference from Exhibit 10(i) (c) 3 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001 .....   | *            |

- - - - -  
\* Incorporated by reference

|              |  |   |
|--------------|--|---|
| 10(i)(C)(4)  | -- Third Modification and Extension of Credit Agreement dated as of March 15, 2000 between Alexander's Inc. as borrower, and Vornado Lending L.L.C., as lender. Incorporated herein by reference from Exhibit 10(i) (c) 4 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001 .....   | * |
| 10(i)(C)(5)  | -- Third Note Modification and Extension Agreement dated as of March 15, 2000 between Alexander's Inc. as borrower, and Vornado Lending L.L.C., as lender. Incorporated herein by reference from Exhibit 10(i) (c) 5 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001 .....  | * |
| 10(i)(D)     | -- Credit Agreement, dated March 15, 1995, among the Company and First Union Bank, National Association. Incorporated herein by reference from Exhibit 10(i)(D) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994 .....  | * |
| 10(i)(D)(1)  | -- Modification and Extension of Credit Agreement, dated as of April 14, 2000, between First Union National Bank, as lender, and Alexander's Inc., as borrower. 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)(D)(2)  | -- Pledge and Security Agreement for Transferable Development Rights, dated as of April 14, 2000, between First Union National Bank, as secured party, 731 Limited Partnership, as assignor, and Alexander's, Inc. as borrower, 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)(D)(3) | -- Modification and Extension of Credit Agreement dated as of April 27, 2001 between Alexander's, Inc. as borrower, and First Union National Bank, as lender. Incorporated herein by reference from Exhibit 10(i) (D) 3 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001 .....   | * |
| 10 (i)(D)(4) | -- Note Modification and Extension Agreement of Credit Agreement dated as of April 27, 2001 between Alexander's, Inc. as borrower, and First Union National Bank, as lender. Incorporated herein by reference from Exhibit 10(i) (D) 4 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001 .....  | * |
| 10(i)(E)     | -- 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)(G)(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)(G)(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 .....   | * |

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\* Incorporated by reference

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| 10(i)(H)        | -- Management and Development Agreement, dated as of February 6, 1995, between Vornado Realty Trust and the Company, on behalf of itself and each subsidiary listed therein. Incorporated herein by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated February 6, 1995 .....   | * |
| 10(i)(I)        | -- Commitment letter, dated as of February 6, 1995, between Vornado Realty Trust and the Company. Incorporated herein by reference from Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated February 6, 1995 .....  | * |
| 10(i)(J)(1)     | -- First Amendment to Mortgage and Security Agreement, dated as of February 24, 2000, between Banc of America Commercial Finance Corporation, as mortgagee, and Alexander's of Fordham Road, Inc., as mortgagor. 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)(J)(2)     | -- Amended and Restated Promissory Note (Secured), dated as of February 24, 2000, between Banc of America Commercial Finance Corporation, as lender, and Alexander's of Fordham Road, Inc., as borrower. 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)(J)(3)     | -- Trigger Agreement, dated as of February 24, 2000, between Banc of America Commercial Finance Corporation, as lender, and Alexander's, Inc., as guarantor. 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)(K)        | -- Term Loan Agreement dated as of June 18, 1998 among Alexanders' Kings Plaza Center, Inc., Kings Plaza Corp., and Alexander's Department Stores of Brooklyn, Inc., as Borrower, Union Bank of Switzerland, as Lender. Incorporated herein by reference from Exhibit 10 to the Registrant's Form 10-Q for the fiscal quarter ended June 30, 1998 ....                  | * |
| 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)(a) | -- 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)(b) | -- 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 .....   | * |

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\* Incorporated by reference

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| 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 .....   | * |
| 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 .....   | * |
| 10(v)(B)     | -- 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)(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 .....   | * |
| 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 .....   | * |
| 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 .....   | * |
| 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 .....   | * |

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\* Incorporated by reference

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|----|--|
| 12 | Consolidated Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Stock Dividend Requirements. |
| 13 | Not applicable.  |
| 16 | Not applicable.  |
| 18 | Not applicable.  |
| 19 | Not applicable.  |
| 21 | Subsidiaries of Registrant.  |
| 22 | Not applicable.  |
| 23 | Consent of Deloitte & Touche LLP.  |
| 25 | Not applicable.  |
| 29 | Not applicable.  |

## NOTE MODIFICATION AND SEVERANCE AGREEMENT

THIS NOTE MODIFICATION AND SEVERANCE AGREEMENT (this "AGREEMENT") made as of the 26th day of November, 2001, between ALEXANDER'S KINGS PLAZA, LLC ("PLAZA LLC"), a Delaware limited liability company, ALEXANDER'S OF KINGS, LLC ("KINGS LLC"), a Delaware limited liability company, and KINGS PARKING, LLC ("PARKING LLC"), a Delaware limited liability company, each having its principal place of business at c/o Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652 (Plaza LLC, Kings LLC and Parking LLC are collectively referred to as "BORROWER") and JPMORGAN CHASE BANK, successor by merger to MORGAN GUARANTY TRUST COMPANY OF NEW YORK, a New York banking corporation, having its principal place of business at 270 Park Avenue, New York, New York 10017 ("LENDER").

## W I T N E S S E T H:

WHEREAS, Lender is the lawful owner and holder of the Amended, Restated and Consolidated Promissory Note dated as of May 31, 2001 between Borrower and Lender in the original principal sum of Two Hundred Twenty Three Million and No/100 Dollars (\$223,000,000.00) (the "ORIGINAL NOTE") which Original Note is secured by that certain Amended, Restated and Consolidated Mortgage and Security Agreement dated May 31, 2001, executed by Borrower for the benefit of Lender (the "SECURITY INSTRUMENT") encumbering the premises described therein (collectively, the "PREMISES") and which Original Note and Security Instrument evidence and secure a loan in the amount of \$223,000,000.00 to Borrower (the "Loan"); and

WHEREAS, Lender and Borrower have agreed to split the indebtedness evidenced by the Original Note into three separate and distinct obligations of indebtedness evidenced by: (a) that certain Amended and Restated Promissory Note A1 date as of the date hereof in the principal sum of NINETY MILLION FOUR HUNDRED THREE THOUSAND EIGHT HUNDRED FORTY SEVEN and No/100 Dollars (\$90,403,847.00), executed and delivered by Borrower to Lender simultaneously herewith (as the same may be amended, restated, replaced, supplemented, substituted or otherwise modified from time to time "NOTE A1"); (b) that certain Amended and Restated Promissory Note A2 dated as of the date hereof in the principal sum of FIFTY MILLION and No/100 Dollars (\$50,000,000.00), executed and delivered by Borrower to Lender simultaneously herewith (as the same may be amended, restated, replaced, supplemented, substituted or otherwise modified from time to time "NOTE A2"); and (c) that certain Amended and Restated Promissory Note B to be dated as of the date hereof in the principal sum of EIGHTY ONE MILLION SIX HUNDRED FORTY SEVEN THOUSAND NINE HUNDRED THIRTY SIX and 53/100 Dollars (\$81,647,936.53), executed and delivered by Borrower to Lender simultaneously herewith (as the same may be amended, restated, replaced, supplemented, substituted or otherwise modified from time to time "NOTE B"; Note A1, Note A2 and Note B are collectively hereinafter referred to as the "NOTES").

NOW THEREFORE, in consideration of the Premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:



ARTICLE 1: SEVERANCE

Effective as of the date hereof, the outstanding principal balance of the indebtedness evidenced by the Original Note in the amount of TWO HUNDRED TWENTY-TWO MILLION FIFTY ONE THOUSAND SEVEN HUNDRED EIGHTY THREE and 53/100 Dollars (\$222,051,783.53) shall be, and is hereby, severed into three portions such that the principal indebtedness of (A) Note A1 equals NINETY MILLION FOUR HUNDRED THREE THOUSAND EIGHT HUNDRED FORTY SEVEN and No/100 Dollars (\$90,403,847.00), (B) Note A2 equals FIFTY MILLION and No/100 Dollars (\$50,000,000.00), and (C) Note B equals EIGHTY ONE MILLION SIX HUNDRED FORTY SEVEN THOUSAND NINE HUNDRED THIRTY SIX and 53/100 Dollars (\$81,647,936.53).

ARTICLE 2: PAYMENT TERMS

(a) For the aggregate of Note A1, Note A2 and Note B, Borrower shall pay (i) an aggregate constant payment of \$1,601,607.36 on December 10, 2001 and on the tenth (10th) day of each calendar month thereafter up to and including the tenth (10th) day of May, 2011 (each, a "MONTHLY DEBT SERVICE Payment") and (ii) an amount equal to the balance of the principal sum, all interest thereon and all other amounts due on the Notes, the Security Instrument and the Other Security Documents on the tenth (10th) day of June, 2011 (the "MATURITY DATE"). Each such payment is to be applied in the following order and priority:

(i) First, to the payment of interest then due on Note A1 computed at the Applicable Interest Rate and the payment of interest then due on Note A2 computed at the Applicable Interest Rate, on a pro-rata basis (based on the then outstanding principal balance of Note A1 and Note A2) until such interest due on both notes is paid in full. The interest then due on such notes shall equal the amounts set forth on the amortization schedule attached hereto as Exhibit A (the "AMORTIZATION SCHEDULE");

(ii) Second, to the reduction of the principal sum of Note A1 and to the reduction of the principal sum on Note A2, on a pro-rata basis (based on the then outstanding principal balance of Note A1 and Note A2). The principal payment then due on such notes shall equal the amounts set forth on the Amortization Schedule;

(iii) Third, to the payment of interest then due on Note B computed at the Applicable Interest Rate until such interest is paid in full. The interest then due on such note shall equal the amount set forth on the Amortization Schedule; and

(iv) Fourth, provided the outstanding principal balance of each of Note A1 and Note A2 is zero, to the reduction of the principal sum of Note B.

(b) The term "MONTHLY PAYMENT DATE" shall mean the tenth day of each calendar month prior to the Maturity Date. If the Maturity Date or any Monthly Payment Date or if the day when any payment required under any of the Notes or the Security Instrument or the Other Loan Documents does not fall on a Business Day, then the Maturity Date or such Monthly Payment Date, or such other date as applicable, will be deemed to be the Business Day immediately preceding such day. Interest on the principal sum of each Note shall be calculated by multiplying the actual number of days elapsed in the applicable period by a daily rate based on a

three hundred sixty (360) day year. The interest accrual period for the Monthly Debt Service Payment due on December 10, 2001 shall commence on and include November 10, 2001 and shall end on and include December 9, 2001. Each interest accrual period after such period shall commence on the tenth (10th) day of each calendar month during the term of the Notes and shall end on and include the ninth (9th) day of the next occurring calendar month.

#### ARTICLE 3: INTEREST

The term "APPLICABLE INTEREST RATE" as used in the Security Instrument, the Notes, this Agreement and the Other Security Documents shall mean an interest rate equal to seven and four hundred sixty-two thousandths percent (7.462%) per annum.

#### ARTICLE 4: DEBT

(a) The whole of the principal sum of the Notes, (b) interest, default interest, late charges and other sums, as provided in the Notes, the Modification Agreement, the Security Instrument or the Other Security Documents, (c) all other monies agreed or provided to be paid by Borrower with respect to the Notes, the Modification Agreement, the Security Instrument or the Other Security Documents, (d) all sums advanced pursuant to the Security Instrument to protect and preserve the Property and the lien and the security interest created thereby, and (e) all sums advanced and costs and expenses incurred by Lender in connection with the Debt (defined below) or any part thereof, any renewal, extension, or change of or substitution for the Debt or any part thereof, or the acquisition or perfection of the security therefor, whether made or incurred at the request of Borrower or Lender (all the sums referred to in (a) through (e) above shall collectively be referred to as the "DEBT") shall without notice become immediately due and payable at the option of Lender if an Event of Default (as defined in the Security Instrument) has occurred.

#### ARTICLE 5: DEFAULT INTEREST

Borrower does hereby agree that upon the occurrence of an Event of Default, Lender shall be entitled to receive and Borrower shall pay interest on the entire unpaid principal sum at a rate equal per annum to the lesser of (a) four percent (4%) plus the Applicable Interest Rate and (b) the maximum interest rate which Borrower may by law pay (the "DEFAULT RATE"). In the event the Default Rate becomes applicable, Lender shall have the right to adjust the amounts reflected in the Amortization Schedule to account for such Default Rate. The Default Rate shall be computed from the occurrence of the Event of Default until the earlier of the date upon which the Event of Default is cured or the date upon which the Debt is paid in full. Interest calculated at the Default Rate shall be added to the Debt, and shall be deemed secured by the Security Instrument. This clause, however, shall not be construed as an agreement or privilege to extend the date of the payment of the Debt, nor as a waiver of any other right or remedy accruing to Lender by reason of the occurrence of any Event of Default.

#### ARTICLE 6: REPAYMENT; DEFEASANCE

(a) The principal balance of the Notes may not be prepaid in whole or in part prior to the Maturity Date except as expressly permitted pursuant to sub-paragraph (1) hereof.

(b) Subject to compliance with and satisfaction of the terms and conditions of this Article 6, Borrower may elect, after the Lockout Period Expiration Date (defined below), to either (i) defease all of the outstanding principal balance of the Notes (a "COMPLETE DEFEASANCE"), or (ii) defease a portion of the Notes (a "PARKING DEFEASANCE"; together with a Complete Defeasance hereinafter, a "DEFEASANCE") in an amount equal to the Parking Release Amount (defined below). If Borrower has elected a Complete Defeasance, Borrower shall be entitled to a release (a "COMPLETE RELEASE") of the Property from the lien of the Security Instrument and a return of all escrows held by or on behalf of Lender with respect to the Loan upon delivery to Lender as security for the payment of all interest and principal due and to become due pursuant to the Notes throughout the term thereof (including the immediately succeeding Monthly Payment Date and assuming the Notes are paid in full three (3) months prior to the Maturity Date) of Defeasance Collateral (defined below) sufficient to generate the Scheduled Defeasance Payments (defined below). If the Borrower has elected a Parking Defeasance, Borrower shall be entitled to a partial release (the "PARKING RELEASE") of the Parking Land (as defined in the Security Instrument) from the lien of the Security Instrument (a "PARKING RELEASE"; together with a Complete Release, a "RELEASE") upon delivery to Lender as security for the payment of all interest and principal due and to become due pursuant to the Parking Note (defined below) throughout the term thereof (including the immediately succeeding Monthly Payment Date and assuming the Parking Note is paid in full three months prior to the Maturity Date) of Defeasance Collateral sufficient to generate the Scheduled Defeasance Payments. "LOCKOUT PERIOD EXPIRATION DATE" shall mean the earlier to occur of (i) June 10, 2004, or (ii) the second anniversary of the "startup day" within the meaning of Section 860G(a)(9) of the IRS Code (defined below) of a REMIC Trust established in connection with the last Securitization involving any portion of the Loan (defined below). "PARKING RELEASE AMOUNT" shall mean an amount equal to Nine Million One Hundred Seventy Nine Thousand and No/100 Dollars (\$9,179,000.00). In the event of a Parking Defeasance, the outstanding principal balance of Note A1 and Note A2 will be reduced pro-rata (based on the then outstanding principal balance of Note A1 and Note A2), in an amount equal to the Parking Release Amount until Note A1 and Note A2 are paid in full and any remaining unapplied amounts shall be applied to reduce the principal balance of Note B, such reductions will be a total sum equal to Parking Release Amount.

(c) As a condition precedent to a Defeasance, and prior to any Release, Borrower shall have complied with all of the following:

(i) Borrower shall provide not less than thirty (30) days prior written notice to Lender of the Monthly Payment Date upon which it intends to effect a Defeasance hereunder (the "DEFEASANCE DATE"), which notice shall state whether such Defeasance is for a Complete Defeasance or a Parking Defeasance;

(ii) All accrued and unpaid interest and all other sums due and payable under the Notes, the Security Instrument and the Other Security Documents up to the Defeasance Date shall be paid in full on or prior to the Defeasance Date;

(iii) The Notes or the Parking Note, as applicable, shall thereafter be secured by the Defeasance Collateral delivered in connection with the Defeasance. After a Complete Defeasance of the Notes or a Parking Defeasance, the Notes or the Parking

Note, as applicable, shall not be prepaid in whole or in part or be the subject of any further Defeasance. In the event of a Parking Defeasance, Borrower shall prepare all necessary documents to modify, amend and restate the applicable Notes in the reduced amounts as determined in accordance with Article 4(b) above and issue a substitute note for a portion of the outstanding principal balance of Note A1 ("PARKING NOTE A1"), Note A2 ("PARKING NOTE A2") and Note B ("PARKING NOTE B") as applicable under Article 4(b) above, in a total amount equal to Parking Release Amount (Parking Note A1, Parking Note A2, Parking Note B are collectively referred to as the "PARKING NOTE"). The Parking Note shall otherwise have terms identical to the corresponding Notes other than as may be necessary to reflect the Parking Defeasance. In connection with any such Parking Defeasance, the Monthly Debt Service Payment Amount due under the Notes and under the Parking Note shall be recomputed at the Applicable Interest Rate and the outstanding principal balance of the Notes, and the Parking Note, as applicable, remaining following such Parking Defeasance, based upon an amortization schedule of twenty-seven (27) years less the period from June 1, 2001 to the date of such Parking Defeasance.

(iv) Borrower shall execute and deliver to Lender any and all certificates, opinions, documents or instruments that may be required by a prudent lender in connection with the Defeasance and Release, including, without limitation, a pledge and security agreement satisfactory to a prudent lender creating a first priority lien on the Defeasance Collateral (a "DEFEASANCE SECURITY AGREEMENT");

(v) Borrower shall have delivered to Lender an opinion of Borrower's counsel in form and substance that would be satisfactory to a prudent lender stating (A) that the Defeasance Collateral and the proceeds thereof have been duly and validly assigned and delivered to Lender and that Lender has a valid, perfected, first priority lien and security interest in the Defeasance Collateral delivered by Borrower and the proceeds thereof, and (B) that if the holder of the Notes or the Parking Note shall at the time of the Release be a REMIC (defined below), (1) the Defeasance Collateral has been validly assigned to the REMIC Trust which holds the Notes (the "REMIC TRUST"), (2) the Defeasance has been effected in accordance with the requirements of Treasury Regulation 1.860(g)-2(a)(8) (as such regulation may be amended or substituted from time to time) and will not be treated as an exchange pursuant to Section 1001 of the IRS Code and (3) the tax qualification and status of the REMIC Trust as a REMIC will not be adversely affected or impaired as a result of the Defeasance. The term "REMIC" shall mean a "real estate mortgage investment conduit" within the meaning of Section 860D of the IRS Code. "IRS CODE" shall mean the United States Internal Revenue Code of 1986, as amended, and the related Treasury Department regulations, including temporary regulations;

(vi) Borrower shall have delivered to Lender in connection with a Complete Defeasance only written confirmation from the Rating Agencies (defined in the Security Instrument) that such Defeasance will not result in a withdrawal, downgrade or qualification of the then current ratings by the applicable Rating Agencies of the Securities (defined in the Security Instrument). If required by the Rating Agencies or Lender, Borrower shall, at Borrower's expense, also deliver or cause to be delivered a

non-consolidation opinion with respect to the Defeasance Obligor (as defined below) in form and substance satisfactory to Lender and the Rating Agencies;

(vii) Borrower shall have delivered to Lender a certificate that would be satisfactory to a prudent lender given by Borrower's independent certified public accountant (which accountant shall be satisfactory to Lender) certifying that the Defeasance Collateral shall generate monthly amounts equal to or greater than the Scheduled Defeasance Payments; and

(viii) With respect to a Parking Defeasance, the following additional provisions and conditions shall apply:

(A) At the time Borrower requests such Parking Release and at the time such Parking Release is granted, no Event of Default has occurred and is continuing;

(B) Borrower shall submit to Lender, not less than fifteen (15) days prior to the date of such release, a release of such Parking Land from the lien of the Security Instrument for execution by Lender. Such release shall be in a form appropriate in the jurisdiction in which the Parking Land is located and contain standard provisions protecting the rights of the releasing lender. In addition, Borrower shall provide all other documentation Lender reasonably requires to be delivered by Borrower in connection with such Release, together with an officer's certificate certifying that such documentation (i) is in compliance with applicable law, (ii) will effect such release in accordance with the terms of the Notes and the Security Instrument and this Agreement, and (iii) will not impair or otherwise adversely affect the remaining real property or other collateral covered by the Security Instrument or the liens, security interests and other rights of Lender under the Notes and the Security Instrument or any Lease (as defined in the Security Instrument); and

(C) All requirements under all laws, statutes, rules and regulations applicable to the Parking Land necessary to accomplish the release shall have been fulfilled, and evidence thereof has been delivered to the Lender.

(d) In connection with any Defeasance hereunder, Borrower shall (unless otherwise agreed to in writing by Lender), at Borrower's expense, establish or designate a successor entity, which shall be a single purpose, bankruptcy remote entity acceptable to a prudent lender, as such entity is described in Section 4.3 of the Security Instrument (the "DEFEASANCE OBLIGOR") and Borrower shall transfer and assign all obligations, rights and duties under and to the Notes or the Parking Note, as applicable, together with the pledged Defeasance Collateral to such Defeasance Obligor. Such Defeasance Obligor shall assume the obligations under the Notes or the Parking Note, as applicable, and any Defeasance Security Agreement, and Borrower shall be relieved of its obligations under such documents except with respect to any provisions of the Notes, the Security Instrument or the Other Security Documents which by their terms expressly survive payment of the Debt in full.

(e) Each of the obligations of the United States of America or other government securities that are part of the Defeasance Collateral shall be duly endorsed by the holder thereof as directed by Lender or accompanied by a written instrument of transfer in form and substance that would be satisfactory to a prudent lender (including, without limitation, such instruments as may be required by the depository institution holding such securities or by the issuer thereof, as the case may be, to effectuate book-entry transfers and pledges through the book-entry facilities of such institution) in order to perfect upon the delivery of the Defeasance Collateral a first priority security interest therein in favor of the Lender in conformity with all applicable state and federal laws governing the granting of such security interests. Borrower shall authorize and direct that the payments received from such obligations shall be made directly to Lender or Lender's designee and applied to satisfy the obligations of Borrower or, if applicable, the Defeasance Obligor, under the Notes.

(f) The Defeasance Collateral shall generate payments on or prior to, but as close as possible to, the Business Day prior to each successive Monthly Payment Date after the date of the Defeasance upon which payments are required hereunder, in the case of a Complete Defeasance, or the Parking Note, in the case of a Parking Defeasance, and in amounts equal to or greater than the payments due on such dates (including, without limitation scheduled payments of principal, interest, and any other regularly scheduled amounts) together with the outstanding principal amount of the Notes or the Parking Note, as applicable, which would be outstanding on the Monthly Payment Date that is three (3) months prior to the Maturity Date (the "SCHEDULED DEFEASANCE PAYMENTS"). Provided no Event of Default has occurred and is continuing, any portion of such monthly amounts generated by the Defeasance Collateral in excess of the Scheduled Defeasance Payments shall be remitted to Borrower.

(g) Notwithstanding any release of the Security Instrument granted pursuant to this Article 6 or any Defeasance hereunder, the Defeasance Obligor shall, and hereby agrees to be bound by and obligated under Sections 3.1, 7.2, 7.4(a) (excluding items (ix) through (xii) inclusive and those portions of xiii that relate to the Property), 11.2, and Articles 13 and 15 of the Security Instrument; provided, however, that all references therein to "Property" or "Personal Property" shall be deemed to refer only to the Defeasance Collateral delivered to Lender.

(h) Any costs or expenses incurred or to be incurred in connection with the Defeasance and any revenue, documentary stamp or intangible taxes or any other tax or charge due in connection with the transfer of the Notes, or otherwise required to accomplish the Defeasance shall be paid by Borrower simultaneously with the occurrence of any Defeasance.

(i) The term "DEFEASANCE COLLATERAL" as used herein shall mean non-callable and non-redeemable securities evidencing an obligation to timely pay principal and interest in a full and timely manner that are (a) direct obligations of the United States of America for the payment of which its full faith and credit is pledged, or (b) to the extent acceptable to the Rating Agencies, other "government securities" within the meaning of Section 2(a)(16) of the Investment Company Act of 1940, as amended.

(j) Upon Borrower's compliance with all of the conditions to Defeasance and a Release set forth in Article 5(b) through (i), Lender shall release the Property or the Parking Land, as applicable, from the lien of the Security Instrument and the Other Security Documents

(or, at Borrower's request, assign such Security Instrument, or portion thereof in the case of a Parking Release, in accordance with Section 22.8 of the Security Instrument), and, in the case of a Parking Release, Lender shall also release Parking LLC from and after the date of the Parking Release from its obligations under the Notes, the Security Instrument, the Agreement and the Other Security Documents, other than those obligations which are expressly intended to survive any satisfaction of the Debt. All costs and expenses of Lender incurred in connection with the Defeasance and Release, including, without limitation, Lenders' counsels' fees and expenses and any fees and expenses of the Rating Agencies, shall be paid by Borrower simultaneously with the delivery of the Release documentation.

(k) If a Default Prepayment (defined below) occurs, Borrower shall pay to Lender the entire Debt, including, without limitation, an amount (the "DEFAULT CONSIDERATION") equal to the greater of (i) the amount (if any) which, when added to the outstanding principal amount of the Notes will be sufficient to purchase Defeasance Collateral providing the required Scheduled Defeasance Payments assuming a Complete Defeasance would be permitted hereunder, or (ii) three percent (3%) of the Default Prepayment. For purposes of this Agreement and the Notes, the term "DEFAULT PREPAYMENT" shall mean a prepayment of the principal amount of this Agreement and the Notes made after the acceleration of the Maturity Date under any circumstances, including, without limitation, a prepayment occurring after an Event of Default or in connection with reinstatement of the Security Instrument provided by statute under foreclosure proceedings or exercise of a power of sale, any statutory right of redemption exercised by Borrower or any other party having a statutory right to redeem or prevent foreclosure, any sale in foreclosure or under exercise of a power of sale or otherwise.

(l) Notwithstanding anything to the contrary herein, (i) upon not less than fifteen (15) but not more than forty-five (45) days prior written notice Borrower may prepay the principal balance of the Notes in whole during the three (3) months prior to the Maturity Date and no prepayment consideration shall be due and payable in connection therewith, but Borrower shall be required to pay all other sums due hereunder and under the Security Instrument and the Other Security Documents together with all interest which would have accrued on the principal balance of the Notes after the date of prepayment to the next Monthly Payment Date (the "INTEREST SHORTFALL PAYMENT"), if such prepayment occurs on a date which is not a Monthly Payment Date; and (ii) if a complete or partial prepayment results from the application of insurance proceeds or condemnation awards pursuant to Sections 3.3, 3.6 or 4.4 of the Security Instrument (an "INVOLUNTARY PREPAYMENT"), no prepayment consideration or Default Consideration shall be due in connection therewith, but Borrower shall be required to pay all other sums due hereunder, including, without limitation, the Interest Shortfall Payment, if applicable. Upon an Involuntary Prepayment, the Monthly Debt Service Payment shall be recomputed at the Applicable Interest Rate and the outstanding principal balance of the Notes remaining following such prepayment, based upon an amortization schedule of twenty-seven (27) years less the period from June 1, 2001 to the date of such prepayment. In the event of any Involuntary Prepayment which constitutes a partial prepayment, such prepayment shall be applied by Lender first to the reduction of the principal sum of Note A1 and to the reduction of the principal sum on Note A2, on a pro-rata basis (based on the then outstanding principal balance of Note A1 and Note A2), until Note A1 and Note A2 are paid in full, and then, provided the outstanding principal balance of each of Note A1 and Note A2 is zero, to the reduction of the principal sum of Note B, until Note B is paid in full.

ARTICLE 7: SECURITY

(a) The Notes are secured by the Security Instrument and the Other Security Documents. The Security Instrument covers the fee and leasehold estate of Borrower in certain premises located in Kings County, State of New York, and other property, as more particularly described therein (collectively, the "PROPERTY") and intended to be duly recorded in said County. The term "OTHER SECURITY DOCUMENTS" as used in this Agreement and the Notes shall mean all and any of the documents, other than the Notes and the Security Instrument, now or hereafter executed by Borrower in favor of Lender, which wholly or partially secure or guarantee payment of the Notes or which were executed and/or delivered in connection with the origination of the Loan. Whenever used, the singular number shall include the plural, the plural number shall include the singular, and the words "Lender" and "Borrower" shall include their respective successors, assigns, heirs, executors and administrators.

(b) All of the terms, covenants and conditions contained in the Security Instrument and the Other Security Documents are hereby made part of this Agreement and the Notes to the same extent and with the same force as if they were fully set forth herein.

ARTICLE 8: LATE CHARGE

If an Event of Default occurs with respect to a monetary obligation payable under this Agreement or the Notes, Borrower shall pay to Lender upon demand an amount equal to the lesser of five percent (5%) of the unpaid sum or the maximum amount permitted by applicable law to defray the expenses incurred by Lender in handling and processing the delinquent payment and to compensate Lender for the loss of the use of the delinquent payment and the amount shall be secured by the Security Instrument and the Other Security Documents, but without duplication of the amounts paid pursuant to Article 5 in respect of such payment.

ARTICLE 9: MISCELLANEOUS

(a) The Notes will be executed and delivered simultaneously herewith, and such Notes and this Agreement collectively shall serve to amend and restate the Original Note in its entirety in complete substitution (but not in satisfaction) for the Original Note, as amended by the terms, provisions and conditions contained in this Agreement. The principal indebtedness evidenced by Note A1, the principal indebtedness evidenced by Note A2 and the principal indebtedness evidenced by Note B constitute, in the aggregate, the same principal indebtedness evidenced by the Original Note and secured by the Security Instrument and do not create or secure any new or further indebtedness.

(b) Borrower hereby renews and extends its covenant and agreement to pay the indebtedness evidenced by the Original Note, as amended and restated, pursuant to this Agreement and the Notes, and Borrower hereby renews and extends its covenant and agreement to perform, comply with and be bound by each and every term and provision of the Original Note, as amended and restated by the terms of this Agreement and the Notes. Borrower hereby confirms that pursuant to the terms of the Security Instrument the Notes are cross-defaulted in that a default by Borrower in the payment or performance of any of its obligations under any of



the Notes (after applicable notice and cure periods, if any) shall be a default under all of the Notes.

(c) Nothing contained in this Agreement, the Notes, the Security Instrument or the Other Security Documents shall be deemed to extinguish or increase the indebtedness evidenced by the Original Note and in no way acts as a release or relinquishment of the liens created by the Security Instrument or the Other Security Documents. Additionally, nothing contained in this Agreement, the Notes, the Security Instrument or the Other Security Documents shall be deemed a novation of the indebtedness evidenced by the Original Note.

(d) Each of Note A1, Note A2 and Note B, as amended by the terms, provisions and conditions contained in this Agreement, shall continue to be secured by the Security Instrument and shall collectively be referred to as the "Note" in the Security Instrument and in all of the Other Security Documents. Borrower confirms and agrees that the Notes, are, and shall continue to be, secured by the Security Instrument and by any other mortgages executed by Borrower or its predecessor-in-interest to secure the Original Note, as the same have been modified by the Security Instrument. Without in any way limiting the generality of the foregoing, Lender has, and shall continue to enjoy, all of the rights and remedies provided for in the Security Instrument, this Agreement, the Notes and the Other Security Documents as heretofore or contemporaneously herewith amended, restated and consolidated.

(e) Lender shall have the right to require Borrower to enter into additional modifications of the Notes in accordance with that certain Cooperation Letter dated May 31, 2001.

(f) This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York without regard to principles of conflicts laws and any applicable law of the United States of America.

(g) This Agreement may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original without resulting in any duplication of obligations, however. 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.

(h) This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, legal representatives, successors and assigns.

(i) All capitalized terms used in this Agreement which are not defined herein shall have the meanings ascribed to them in the Security Instrument and the Other Security Documents.

(j) Except as specifically modified and amended herein, all other terms, conditions and covenants contained in the Security Instrument and the Other Security Documents shall remain in full force and effect.

(k) All references in the Security Instrument and the Other Security Documents to Note shall mean the Notes, as amended by the terms, provisions and conditions contained in this Agreement.

(l) Unless otherwise defined in this Amendment, terms defined in the Security Instrument and the Other Security Documents shall have their defined meanings when used herein.

(m) The Notes, the Security Instrument and the Other Security Documents, as amended by the terms, provisions and conditions contained in this Agreement, constitute the entire and final agreement between the parties with respect to the subject matter thereof and may not be changed, terminated or otherwise varied, except by a writing duly executed by the parties.

(n) Borrower covenants and agrees that there is now due and owing on the Original Note the outstanding principal sum of \$222,051,783.53, plus interest, and that there exist no defenses, counterclaims or offsets to its obligations for the payment of the indebtedness evidenced by the Original Note and secured by the Other Security Documents. The Security Instrument liens and all liens securing payment of the Notes are hereby modified, extended, renewed, carried forward in the amount of \$222,051,783.53 and confirmed by Borrower in all respects and shall remain in full force and effect until the amount of the Notes then payable in accordance with the terms hereof, all accrued but unpaid interest, and all extensions, renewals and rearrangements thereof and all sums secured by the Notes, the Security Instrument and the Other Security Documents shall be fully and finally paid.

(o) In the event of a conflict or inconsistency between the terms of this Agreement and the Notes or the Security Instrument, the terms and provisions of this Agreement shall govern.

(p) Borrower hereby certifies to Lender the following facts knowing that Lender requires, and is relying upon, the representations contained in this paragraph being done at Lender's request:

(i) All interest due to Lender through but not including the date hereof has been paid or waived;

(ii) As of the date of execution hereof, Borrower has no, and waives any, defenses, rights of setoff, counterclaim, claims, or causes of action of any kind or description against Lender as holder of this Agreement and the Notes, with respect to (i) payment of the principal sum described therein, (ii) payment of interest under this Agreement and the Notes,

(iii) payment of any other sums due and payable under this Agreement and the Notes, the Security Instrument or any of the Other Security Documents, or (iv) the performance of any obligations under this Agreement, the Notes, the Security Instrument and the Other Security Documents; (iii) This Agreement and the Notes, the Security Instrument and the Other Security Documents are valid and enforceable against Borrower in accordance with their respective terms subject to principles of equity and applicable bankruptcy, insolvency or similar laws generally affecting the enforcement of creditor's rights; and

(iv) It is understood and agreed that Lender, by virtue of executing this Agreement and the Notes, is not waiving any of its rights under the Security Instrument, this Agreement and the Notes or any of the Other Security Documents with respect to any defaults or Events of Default which may occur or arise from and after the date hereof.

(q) Borrower acknowledges and agrees that this Agreement and the Notes amend and restate the Original Note, evidences the same indebtedness evidenced thereby and creates no new or additional indebtedness, and that this Agreement and the Notes are not intended to, nor shall they be construed to, constitute a novation of the Original Note or the obligations contained therein.

(r) All recitals set forth on page 1 hereof are hereby incorporated in and made a part this Agreement and the Notes to the same extent as if herein set forth in full; provided, however, that said recitals shall not be deemed to modify the express provisions set forth herein.

#### ARTICLE 10: EXCULPATION

(a) Except as otherwise provided herein, in the Security Instrument, this Agreement or in the Other Security Documents, Lender shall not enforce the liability and obligation of Borrower to perform and observe the obligations contained in the Notes, the Security Instrument, this Agreement or the Other Security Documents by any action or proceeding wherein a money judgment shall be sought against Borrower, except that Lender may bring a foreclosure action, action for specific performance or other appropriate action or proceeding to enable Lender to enforce and realize upon the Notes, the Security Instrument, this Agreement, the Other Security Documents, and the interest in the Property, the Rents (as defined in the Security Instrument) and any other collateral given to Lender created by the Notes, the Security Instrument and the Other Security Documents; provided, however, that any judgment in any such action or proceeding shall be enforceable against Borrower only to the extent of Borrower's interest in the Property, in the Rents and in any other collateral given to Lender. Lender, by accepting the Notes and the Security Instrument, agrees that it shall not, except as otherwise provided in this Article 10, sue for, seek or demand any deficiency judgment against Borrower in any such action or proceeding, under or by reason of or under or in connection with the Notes, the Other Security Documents, this Agreement or the Security Instrument. The provisions of this Section shall not, however, (i) constitute a waiver, release or impairment of any obligation evidenced or secured by the Notes, the Other Security Documents, this Agreement or the Security Instrument; (ii) impair the right of Lender to name Borrower as a party defendant in any action or suit for judicial foreclosure and sale under the Security Instrument; (iii) affect the validity or enforceability of the Environmental Indemnity (as defined in the Security Instrument), or any guaranty executed in connection with the Notes, the Security Instrument, this Agreement or the Other Security Documents; (iv) impair the right of Lender to obtain the appointment of a receiver; (v) impair the enforcement of the Assignment of Leases and Rents executed in connection herewith; or (vi) impair the right of Lender to obtain a deficiency judgment or other judgment on the Notes against Borrower if necessary to obtain any insurance proceeds or condemnation awards to which Lender would otherwise be entitled under the Security Instrument; provided, however, Lender shall only enforce such judgment to the extent of such insurance proceeds and/or condemnation awards.

(b) Notwithstanding the provisions of this Article 10 to the contrary, Borrower shall be personally liable to Lender for the Losses (as defined in the Security Instrument) it incurs due to: (i) fraud or intentional misrepresentation by Borrower, Indemnitor (as defined in the Security Instrument), Guarantor (as defined in the Security Instrument) or Vornado Realty Trust in connection with the execution and the delivery of the Notes, the Security Instrument, this Agreement or the Other Security Documents; (ii) Borrower's misapplication or misappropriation of Rents received by Borrower after the occurrence of an Event of Default; (iii) Borrower's misapplication or misappropriation of tenant security deposits (including any such deposits, escrows or reserves deposited by tenants for tenant improvement work) or Rents collected in advance; (iv) the misapplication or the misappropriation of insurance proceeds or condemnation awards or the failure to refund any tax rebates due to any tenant no longer in occupancy at the Property; (v) to the extent of Rents from the Property, Borrower's failure to pay Taxes (as defined in the Security Instrument), Other Charges (as defined in the Security Instrument) (except to the extent that sums sufficient to pay such amounts have been deposited in escrow with Lender pursuant to the terms of the Security Instrument), charges for labor or materials or other charges, that can create prior liens on the Property; (vi) any act of physical waste or arson by Borrower, any principal, affiliate, member or general partner thereof or by any Indemnitor or Guarantor; (vii) Borrower's failure to comply with the provisions of Sections 4.2, 12.1 and 12.2 and Article 8 (other than a violation of Article 8 set forth in subsection (c) below) of the Security Instrument; (viii) Borrower's failure to comply with the provisions of Section 4.3 (other than Section 4.3(h)) of the Security Instrument; (ix) Borrower's amendment or modification to the Ground Lease (as defined in the Security Instrument) without the prior written consent of Lender; and (x) Borrower's amendment or modification to that certain Amended and Restated Construction Operation and Reciprocal Easement Agreement dated as of June 18, 1998 by and among Macy's Kings Plaza Real Estate, Inc. ("MACY'S"), Alexander's Kings Plaza Center, Inc. ("AKPC") and Alexander's Department Stores of Brooklyn, Inc. ("ADSB") and/or Supplemental Agreement dated June 18, 1998 by and among Macy's, AKPC and ADSB without the prior written consent of Lender.

(c) Notwithstanding the foregoing, (i) the agreement of Lender not to pursue recourse liability as set forth in Subsection (a) above SHALL BECOME NULL AND VOID and shall be of no further force and effect in the event of Borrower's default under Article 8 of the Security Instrument caused by a Transfer of the Property in violation of such article or the placement of a voluntary Security Instrument lien against the Property, and (ii) the Debt shall be fully recourse to Borrower in the event that (A) Borrower files a voluntary petition under the Title 11 of the United States Bankruptcy Code (as amended, the "BANKRUPTCY CODE") or any other Federal or state bankruptcy or insolvency law; or (B) Guarantor or any other affiliate of Borrower which controls Borrower files, or joins in the filing of, an involuntary petition against Borrower under the Bankruptcy Code or any other Federal or state bankruptcy or insolvency law, or solicits or causes to be solicited petitioning creditors for any involuntary petition against Borrower or from any Person, or (C) Borrower files an answer consenting to or joining in any involuntary petition filed against it, by any other Person under the Bankruptcy Code or any other Federal or state bankruptcy or insolvency law, or solicits or causes to be solicited petitioning creditors for any involuntary petition from any Person; or (D) any affiliate which controls Borrower consents to or joins in an application for the appointment of a custodian, receiver, trustee, or examiner for Borrower or any real property portion of the Property; or (E) Borrower makes an assignment for the benefit of creditors.

(d) Nothing herein shall be deemed to be a waiver of any right which Lender may have under Section 506(a), 506(b), 1111(b) or any other provision of the U.S. Bankruptcy Code to file a claim for the full amount of the indebtedness secured by the Security Instrument or to require that all collateral shall continue to secure all of the indebtedness owing to Lender in accordance with the Notes, the Security Instrument, this Agreement and the Other Security Documents.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the date first above written.

BORROWER:

ALEXANDER'S KINGS PLAZA, LLC, a Delaware limited liability company

By: /s/ Joseph Macnow

-----  
Name: Joseph Macnow  
Title: Executive Vice President

ALEXANDER'S OF KINGS, LLC, a Delaware limited liability company

By: /s/ Joseph Macnow

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Name: Joseph Macnow  
Title: Executive Vice President

KINGS PARKING, LLC, a Delaware limited liability company

By: /s/ Joseph Macnow

-----  
Name: Joseph Macnow  
Title: Executive Vice President

LENDER:

JPMORGAN CHASE BANK, successor by merger  
to MORGAN GUARANTY TRUST COMPANY OF NEW  
YORK, a New York banking corporation

By: /s/ Michael Mesard

-----  
Name: Michael Mesard  
Title Vice President

Exhibit A

(Attach the Amortization Schedule)



AMENDED AND RESTATED PROMISSORY NOTE A1

\$90,403,847.00

New York, New York  
November 26, 2001

THIS AMENDED AND RESTATED PROMISSORY NOTE A1 (this "NOTE A1") is made this 26th day of November, 2001, by and between ALEXANDER'S KINGS PLAZA, LLC ("PLAZA LLC"), a Delaware limited liability company, ALEXANDER'S OF KINGS, LLC ("KINGS LLC"), a Delaware limited liability company, and KINGS PARKING, LLC ("PARKING LLC"), a Delaware limited liability company, each having its principal place of business at c/o Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652, as maker (Plaza LLC, Kings LLC and Parking LLC are collectively referred to as "BORROWER") to JPMORGAN CHASE BANK, successor by merger to MORGAN GUARANTY TRUST COMPANY OF NEW YORK, a New York banking corporation having its principal place of business at 270 Park Avenue, New York, New York 10017, as payee ("LENDER").

R E C I T A L S

WHEREAS, on May 31, 2001 Lender made a loan (the "LOAN") in the aggregate principal amount of \$223,000,000.00 to Borrower, which Loan was evidenced by that certain Amended, Restated and Consolidated Promissory Note dated as of May 31, 2001 (the "ORIGINAL NOTE"), and secured by, among other things, that certain Amended, Restated and Consolidated Security Instrument Security Agreement dated as of May 31, 2001 (the "SECURITY INSTRUMENT").

WHEREAS, that certain Note Modification and Severance Agreement dated as of the date hereof (the "MODIFICATION AGREEMENT"), severs the indebtedness evidenced by the Original Note into three separate and distinct obligations of indebtedness evidenced by (a) this Note A1 evidencing the principal sum of NINETY MILLION FOUR HUNDRED THREE THOUSAND EIGHT HUNDRED FORTY SEVEN and No/100 Dollars (\$90,403,847.00), (b) that certain Amended and Restated Promissory Note A2 dated as of FIFTY MILLION and No/100 Dollars (\$50,000,000.00) ("NOTE A2") and (c) that certain Amended and Restated Promissory Note B dated as of the date hereof evidencing the principal sum of EIGHTY ONE MILLION SIX HUNDRED FORTY SEVEN THOUSAND NINE HUNDRED THIRTY SIX and 53/100 Dollars (\$81,647,936.53) ("NOTE B").

NOW, THEREFORE, in consideration of the premises, the agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby covenant and agree as follows, effective as of the date first above written:

A. Borrower's indebtedness is NINETY MILLION FOUR HUNDRED THREE THOUSAND EIGHT HUNDRED FORTY SEVEN and No/100 Dollars (\$90,403,847.00), as evidenced by this Note A1 in the principal amount of NINETY MILLION FOUR HUNDRED THREE THOUSAND EIGHT HUNDRED FORTY SEVEN and No/100 Dollars (\$90,403,847.00), together with interest thereon as hereinafter provided.

B. Borrower and Lender hereby agree that the portion of the Original Note having been severed pursuant to the Modification Agreement into this Note A1 is hereby amended, restated and replaced in its entirety with respect to the principal indebtedness evidenced by this Note A1 (hereafter, this "NOTE") to read as follows:

PROMISSORY NOTE A1

\$90,403,847.00

New York, New York  
November 26, 2001

FOR VALUE RECEIVED ALEXANDER'S KINGS PLAZA, LLC ("PLAZA LLC"), a Delaware limited liability company, ALEXANDER'S OF KINGS, LLC ("KINGS LLC"), a Delaware limited liability company, and KINGS PARKING, LLC ("PARKING LLC"), a Delaware limited liability company, each having its principal place of business at c/o Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652, as maker (Plaza LLC, Kings LLC and Parking LLC are collectively referred to as "BORROWER"), hereby unconditionally promises to pay to the order of JPMORGAN CHASE BANK, successor by merger to MORGAN GUARANTY TRUST COMPANY OF NEW YORK, a New York banking corporation, having an address at 60 Wall Street, New York, New York 10260, as payee ("LENDER") or at such other place as the holder hereof may from time to time designate in writing, the principal sum of NINETY MILLION FOUR HUNDRED THREE THOUSAND EIGHT HUNDRED FORTY SEVEN and No/100 Dollars (\$90,403,847.00), 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 Note at the Applicable Interest Rate, and to be paid in accordance with the terms of this Note and that certain Note Modification and Severance Agreement dated as of the date hereof between Borrower and Lender (the "MODIFICATION AGREEMENT"). All capitalized terms not defined herein shall have the respective meanings set forth in the Security Instrument or the Modification Agreement, as applicable.

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 specified in the Modification 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. This Note may be released and/or defeased in accordance with the Modification Agreement.

ARTICLE 2: OTHER SECURITY DOCUMENTS

This Note is secured by the Security Instrument, the Modification Agreement and the Other Security Documents. All of the terms, covenants and conditions contained in the Security Instrument, the Modification Agreement, and the Other Security 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 or the Security Instrument and the Modification Agreement, the terms and provisions of the Modification Agreement shall govern.

### ARTICLE 3: SAVINGS CLAUSE

This Note is subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the principal balance due hereunder at a rate which could subject Lender to either civil or criminal liability as a result of being in excess of the maximum interest rate which Borrower is permitted by applicable law to contract or agree to pay. If by the terms of this Note, Borrower is at any time required or obligated to pay interest on the principal balance due hereunder at a rate in excess of such maximum rate, the Applicable Interest Rate or the Default Rate, as the case may be, shall be deemed to be immediately reduced to such maximum rate and all previous payments in excess of the maximum 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 Lender for the use, forbearance, or detention of the Debt, shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Note until payment in full so that the rate or amount of interest on account of the Debt does not exceed the maximum lawful rate of interest from time to time in effect and applicable to the Debt for so long as the Debt is outstanding.

### ARTICLE 4: 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 5: JOINT AND SEVERAL LIABILITY

If Borrower consists of more than one person or party, the obligations and liabilities of each person or party shall be joint and several.

### ARTICLE 6: WAIVERS

Except as otherwise provided in this Note, the Security Instrument, the Modification Agreement or the Other Security Documents, 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, protest and notice of protest and non-payment and all other notices of any kind. Except in connection with a Defeasance, 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 Security Instrument, the Modification Agreement or the Other Security Documents made by agreement between Lender or any other person or party shall release, modify, amend, waive, extend, change, discharge, terminate or affect the liability of Borrower, and any other person or entity who may become liable for the payment of all or any part of the Debt, under this Note, the Security Instrument, the Modification Agreement or the Other Security 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 Security Instrument, the Modification Agreement or the Other Security Documents. If Borrower is a partnership, the agreements contained herein shall remain in full force and effect,

notwithstanding any changes in the individuals or entities comprising the partnership, and the term "Borrower," as used herein, shall include any alternate or successor partnership, but any predecessor partnership and its partners shall not thereby be released from any liability. If Borrower is a corporation, the agreements contained herein shall remain in full force and effect 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 alternate or successor corporation, but any predecessor corporation shall not be relieved of liability hereunder. If Borrower is a limited liability company, the agreements herein contained shall remain in full force and effect, notwithstanding any changes in the individuals or entities comprising the limited liability company and the term "Borrower," as used herein, shall include any alternate or successor limited liability company, but any predecessor limited liability company and its members shall not be released from any liability. (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, corporation or limited liability company which may be set forth in the Security Instrument or any Other Security 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 Modification Agreement, the Security Instrument or the Other Security Documents, or any part thereof, to the transferee who shall thereupon become vested with all the rights herein or under applicable law given to Lender with respect thereto, and Lender shall thereafter forever be relieved and fully discharged from any liability or responsibility in the matter; but Lender shall retain all rights hereby given to it with respect to any liabilities and the collateral not so transferred.

ARTICLE 8 WAIVER OF TRIAL BY JURY

BORROWER 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 THIS NOTE, THE APPLICATION FOR THE LOAN EVIDENCED BY THIS NOTE, THIS NOTE, THE SECURITY INSTRUMENT OR THE OTHER SECURITY DOCUMENTS OR ANY ACTS OR OMISSIONS OF LENDER, ITS OFFICERS, EMPLOYEES, DIRECTORS OR AGENTS IN CONNECTION THEREWITH.

ARTICLE 9 EXCULPATION

(a) Except as otherwise provided herein, in the Security Instrument, the Modification Agreement or in the Other Security Documents, Lender shall not enforce the liability and obligation of Borrower to perform and observe the obligations contained in this Note, the Security Instrument, the Modification Agreement or the Other Security Documents by any action or proceeding wherein a money judgment shall be sought against Borrower, except that Lender may bring a foreclosure action, action for specific performance or other appropriate

action or proceeding to enable Lender to enforce and realize upon this Note, the Security Instrument, the Modification Agreement, the Other Security Documents, and the interest in the Property, the Rents (as defined in the Security Instrument) and any other collateral given to Lender created by this Note, the Security Instrument and the Other Security Documents; provided, however, that any judgment in any such action or proceeding shall be enforceable against Borrower only to the extent of Borrower's interest in the Property, in the Rents and in any other collateral given to Lender. Lender, by accepting this Note and the Security Instrument, agrees that it shall not, except as otherwise provided in this Article 9, sue for, seek or demand any deficiency judgment against Borrower in any such action or proceeding, under or by reason of or under or in connection with this Note, the Other Security Documents, the Modification Agreement or the Security Instrument. The provisions of this Section shall not, however, (i) constitute a waiver, release or impairment of any obligation evidenced or secured by this Note, the Other Security Documents, the Modification Agreement or the Security Instrument; (ii) impair the right of Lender to name Borrower as a party defendant in any action or suit for judicial foreclosure and sale under the Security Instrument; (iii) affect the validity or enforceability of the Environmental Indemnity (as defined in the Security Instrument), or any guaranty executed in connection with this Note, the Security Instrument, the Modification Agreement or the Other Security Documents; (iv) impair the right of Lender to obtain the appointment of a receiver; (v) impair the enforcement of the Assignment of Leases and Rents executed in connection herewith; or (vi) impair the right of Lender to obtain a deficiency judgment or other judgment on this Note against Borrower if necessary to obtain any insurance proceeds or condemnation awards to which Lender would otherwise be entitled under the Security Instrument; provided, however, Lender shall only enforce such judgment to the extent of such insurance proceeds and/or condemnation awards.

(b) Notwithstanding the provisions of this Article 9 to the contrary, Borrower shall be personally liable to Lender for the Losses (as defined in the Security Instrument) it incurs due to: (i) fraud or intentional misrepresentation by Borrower, Indemnitor (as defined in the Security Instrument), Guarantor (as defined in the Security Instrument) or Vornado Realty Trust in connection with the execution and the delivery of this Note, the Security Instrument, the Modification Agreement or the Other Security Documents; (ii) Borrower's misapplication or misappropriation of Rents received by Borrower after the occurrence of an Event of Default; (iii) Borrower's misapplication or misappropriation of tenant security deposits (including any such deposits, escrows or reserves deposited by tenants for tenant improvement work) or Rents collected in advance; (iv) the misapplication or the misappropriation of insurance proceeds or condemnation awards or the failure to refund any tax rebates due to any tenant no longer in occupancy at the Property; (v) to the extent of Rents from the Property, Borrower's failure to pay Taxes (as defined in the Security Instrument), Other Charges (as defined in the Security Instrument) (except to the extent that sums sufficient to pay such amounts have been deposited in escrow with Lender pursuant to the terms of the Security Instrument), charges for labor or materials or other charges, that can create prior liens on the Property; (vi) any act of physical waste or arson by Borrower, any principal, affiliate, member or general partner thereof or by any Indemnitor or Guarantor; (vii) Borrower's failure to comply with the provisions of Sections 4.2, 12.1 and 12.2 and Article 8 (other than a violation of Article 8 set forth in subsection (c) below) of the Security Instrument; (viii) Borrower's failure to comply with the provisions of Section 4.3 (other than Section 4.3(h)) of the Security Instrument; (ix) Borrower's amendment or modification to the Ground Lease (as defined in the Security Instrument) without the prior

written consent of Lender; and (x) Borrower's amendment or modification to that certain Amended and Restated Construction Operation and Reciprocal Easement Agreement dated as of June 18, 1998 by and among Macy's Kings Plaza Real Estate, Inc. ("MACY'S"), Alexander's Kings Plaza Center, Inc. ("AKPC") and Alexander's Department Stores of Brooklyn, Inc. ("ADSB") and/or Supplemental Agreement dated June 18, 1998 by and among Macy's, AKPC and ADSB without the prior written consent of Lender.

(c) Notwithstanding the foregoing, (i) the agreement of Lender not to pursue recourse liability as set forth in Subsection (a) above SHALL BECOME NULL AND VOID and shall be of no further force and effect in the event of Borrower's default under Article 8 of the Security Instrument caused by a Transfer of the Property in violation of such article or the placement of a voluntary mortgage lien against the Property, and (ii) the Debt shall be fully recourse to Borrower in the event that (A) Borrower files a voluntary petition under the Title 11 of the United States Bankruptcy Code (as amended, the "BANKRUPTCY CODE") or any other Federal or state bankruptcy or insolvency law; or (B) Guarantor or any other affiliate of Borrower which controls Borrower files, or joins in the filing of, an involuntary petition against Borrower under the Bankruptcy Code or any other Federal or state bankruptcy or insolvency law, or solicits or causes to be solicited petitioning creditors for any involuntary petition against Borrower or from any Person, or (C) Borrower files an answer consenting to or joining in any involuntary petition filed against it, by any other Person under the Bankruptcy Code or any other Federal or state bankruptcy or insolvency law, or solicits or causes to be solicited petitioning creditors for any involuntary petition from any Person; or (D) any affiliate which controls Borrower consents to or joins in an application for the appointment of a custodian, receiver, trustee, or examiner for Borrower or any real property portion of the Property; or (E) Borrower makes an assignment for the benefit of creditors.

(d) Nothing herein shall be deemed to be a waiver of any right which Lender may have under Section 506(a), 506(b), 1111(b) or any other provision of the U.S. Bankruptcy Code to file a claim for the full amount of the indebtedness secured by the Security Instrument or to require that all collateral shall continue to secure all of the indebtedness owing to Lender in accordance with this Note, the Security Instrument, the Modification Agreement and the Other Security Documents.

#### ARTICLE 10: AUTHORITY

Borrower represents that Borrower has full power, authority and legal right to execute and deliver this Note, the Security Instrument, the Modification Agreement and the Other Security Documents and that this Note, the Security Instrument, the Modification Agreement and the Other Security Documents constitute valid and binding obligations of Borrower.

#### ARTICLE 11: APPLICABLE LAW

This Note shall be deemed to be a contract entered into pursuant to the laws of the State of New York and shall in all respects be governed, construed, applied and enforced in accordance with the laws of the State of New York.

ARTICLE 12: SERVICE OF PROCESS

(a) (i) Borrower will maintain a place of business or an agent for service of process in New York, New York and give prompt notice to Lender of the address of such place of business and of the name and address of any new agent appointed by it, as appropriate. Borrower further agrees that the failure of its agent for service of process to give it notice of any service of process will not impair or affect the validity of such service or of any judgment based thereon. If, despite the foregoing, there is for any reason no agent for service of process of Borrower available to be served, and if it at that time has no place of business in New York, New York, then Borrower irrevocably consents to service of process by registered or certified mail, postage prepaid, to it at its address given in or pursuant to the first paragraph hereof.

(ii) Borrower initially and irrevocably designates its Chief Financial Officer with offices on the date hereof at c/o Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652 to receive for and on behalf of Borrower service of process in New York, New York with respect to this Note; provided that a copy will be simultaneously provided to Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652, Attention: Vice President for Real Estate.

(b) With respect to any claim or action arising hereunder or under the Security Instrument, the Modification Agreement or the Other Security Documents, Borrower (i) irrevocably submits to the nonexclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York, New York, and appellate courts from any thereof, and (ii) irrevocably waives any objection which it may have at any time to the laying on venue of any suit, action or proceeding arising out of or relating to this Note brought in any such court, irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) Nothing in this Note will be deemed to preclude Lender from bringing an action or proceeding with respect hereto in any other jurisdiction.

ARTICLE 13: COUNSEL FEES

In the event that it should become necessary to employ counsel to collect the Debt or to protect or foreclose the security therefor, Borrower also agrees to pay all reasonable fees and expenses of Lender, including, without limitation, reasonable attorney's fees for the services of such counsel whether or not suit be brought.

ARTICLE 14: NOTICES

All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person or by facsimile transmission with receipt acknowledged by the recipient thereof and confirmed by telephone by sender, (ii) one (1) Business Day after having been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Borrower: ALEXANDER'S KINGS PLAZA, LLC  
ALEXANDER'S OF KINGS, LLC and  
KINGS PARKING, LLC  
c/o Vornado Realty Trust  
210 Route 4 East  
Paramus, New Jersey 07652  
Attention: Chief Financial Officer  
Facsimile No.: (201) 708-6210

With a copy to: Winston & Strawn  
200 Park Avenue  
New York, New York 10166  
Attention: Peter J. Korda, Esq.  
Facsimile No.: (212) 294-4700

and

Vornado Realty Trust  
210 Route 4 East  
Paramus, New Jersey 07652  
Attention: Vice President for Real Estate  
Facsimile No.: (201) 708-6207

If to Lender: JPMorgan Chase Bank,  
successor by merger to Morgan Guaranty  
Trust Company of New York  
Commercial Mortgage Finance Group  
60 Wall Street  
New York, New York 10260  
Attention: Nancy Alto  
Facsimile No.: (212) 648-5274

and

JPMorgan Chase Bank,  
successor by merger to  
Morgan Guaranty Trust Company of New York  
Legal Department  
270 Park Avenue, 39th Floor  
New York, New York 10017  
Attention: Ronald A. Wilcox, Esq.  
Facsimile No.: (212) 270-2934



With a copy to: Cadwalader, Wickersham & Taft  
100 Maiden Lane  
New York, New York 10038  
Attention: William P. McInerney, Esq.  
Facsimile No.: (212) 504-6666

or addressed as such party may from time to time designate by written notice to the other parties.

Either party by notice to the other may designate additional or different addresses for subsequent notices or communications.

"BUSINESS DAY" shall mean a day upon which commercial banks are not authorized or required by law to close in New York, New York.

#### ARTICLE 15: MISCELLANEOUS

(a) Wherever pursuant to this Note (i) Lender exercises any right given to it to approve or disapprove, (ii) any arrangement or term is to be satisfactory to Lender, or (iii) any other decision or determination is to be made by Lender, the decision of Lender to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory and all other decisions and determinations made by Lender, shall be in the sole and absolute discretion of Lender and shall be final and conclusive, except as may be otherwise expressly and specifically provided herein.

(b) Wherever pursuant to this Note it is provided that Borrower pay any costs and expenses, such costs and expenses shall include, but not be limited to, all reasonable legal fees and disbursements of Lender.

(c) All recitals set forth on page 1 hereof are hereby incorporated in and made a part of this Note to the same extent as if herein set forth in full; provided, however, that said recitals shall not be deemed to modify the express provisions set forth herein.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, Borrower has duly executed this Note as of the day and year first above written.

BORROWER:

ALEXANDER'S KINGS PLAZA, LLC, a Delaware limited liability company

By: /s/ Joseph Macnow  
-----  
Name: Joseph Macnow  
Title: Executive President

ALEXANDER'S OF KINGS, LLC, a Delaware limited liability company

By: /s/ Joseph Macnow  
-----  
Name: Joseph Macnow  
Title: Executive President

KINGS PARKING, LLC, a Delaware limited liability company

By: /s/ Joseph Macnow  
-----  
Name: Joseph Macnow  
Title: Executive President

AMENDED AND RESTATED PROMISSORY NOTE A2

\$50,000,000.00

New York, New York  
November 26, 2001

THIS AMENDED AND RESTATED PROMISSORY NOTE A2 (this "NOTE A2") is made this 26th day of November, 2001, by and between ALEXANDER'S KINGS PLAZA, LLC ("PLAZA LLC"), a Delaware limited liability company, ALEXANDER'S OF KINGS, LLC ("KINGS LLC"), a Delaware limited liability company, and KINGS PARKING, LLC ("PARKING LLC"), a Delaware limited liability company, each having its principal place of business at c/o Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652, as maker (Plaza LLC, Kings LLC and Parking LLC are collectively referred to as "BORROWER") to JPMORGAN CHASE BANK, successor by merger to MORGAN GUARANTY TRUST COMPANY OF NEW YORK, a New York banking corporation, having an address at 60 Wall Street, New York, New York 10260, as payee ("LENDER").

R E C I T A L S

WHEREAS, on May 31, 2001 Lender made a loan (the "LOAN") in the aggregate principal amount of \$223,000,000.00 to Borrower, which Loan was evidenced by that certain Amended, Restated and Consolidated Promissory Note dated as of May 31, 2001 (the "ORIGINAL NOTE"), and secured by, among other things, that certain Amended, Restated and Consolidated Security Instrument Security Agreement dated as of May 31, 2001 (the "SECURITY INSTRUMENT").

WHEREAS, that certain Note Modification and Severance Agreement dated as of the date hereof (the "MODIFICATION AGREEMENT") severs the indebtedness evidenced by the Original Note into three separate and distinct obligations of indebtedness evidenced by (a) this Note A2 evidencing the principal sum of FIFTY MILLION and No/100 (\$50,000,000.00), (b) that certain Amended and Restated Promissory Note A1 dated as of the date hereof evidencing the principal sum of NINETY MILLION FOUR HUNDRED THREE THOUSAND EIGHT HUNDRED FORTY SEVEN and No/100 Dollars (\$90,403,847.00) ("NOTE A1") and (c) that certain Amended and Restated Promissory Note B dated as of the date hereof evidencing the principal sum of EIGHTY ONE MILLION SIX HUNDRED FORTY SEVEN THOUSAND NINE HUNDRED THIRTY SIX and 53/100 Dollars (\$81,647,936.53) ("NOTE B").

NOW, THEREFORE, in consideration of the premises, the agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby covenant and agree as follows, effective as of the date first above written:

A. Borrower's indebtedness is FIFTY MILLION and No/100 (\$50,000,000.00) as evidenced by this Note A2 in the principal amount of FIFTY MILLION and No/100 (\$50,000,000.00), together with interest thereon as hereinafter provided.

B. Borrower and Lender hereby agree that the portion of the Original Note having been severed pursuant to the Modification Agreement into this Note A2 is hereby amended, restated

and replaced in its entirety with respect to the principal indebtedness evidenced by this Note A2 (hereafter, this "NOTE") to read as follows:

PROMISSORY NOTE A2

\$50,000,000.00

New York, New York  
November 26, 2001

FOR VALUE RECEIVED ALEXANDER'S KINGS PLAZA, LLC ("PLAZA LLC"), a Delaware limited liability company, ALEXANDER'S OF KINGS, LLC ("KINGS LLC"), a Delaware limited liability company, and KINGS PARKING, LLC ("PARKING LLC"), a Delaware limited liability company, each having its principal place of business at c/o Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652, as maker (Plaza LLC, Kings LLC and Parking LLC are collectively referred to as "BORROWER"), hereby unconditionally promises to pay to the order of JPMORGAN CHASE BANK, successor by merger to MORGAN GUARANTY TRUST COMPANY OF NEW YORK, a New York banking corporation, having an address at 60 Wall Street, New York, New York 10260, as payee ("LENDER") or at such other place as the holder hereof may from time to time designate in writing, the principal sum of FIFTY MILLION and NO/100 (\$50,000,000.00), 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 Note at the Applicable Interest Rate, and to be paid in accordance with the terms of this Note and that certain Note Modification and Severance Agreement dated as of the date hereof between Borrower and Lender (the "MODIFICATION AGREEMENT"). All capitalized terms not defined herein shall have the respective meanings set forth in the Security Instrument or the Modification Agreement, as applicable.

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 specified in the Modification 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. This Note may be released and/or defeased in accordance with the Modification Agreement.

ARTICLE 2: OTHER SECURITY DOCUMENTS

This Note is secured by the Security Instrument, the Modification Agreement and the Other Security Documents. All of the terms, covenants and conditions contained in the Security Instrument, the Modification Agreement, and the Other Security 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 or the Security Instrument and the Modification Agreement, the terms and provisions of the Modification Agreement shall govern.

#### ARTICLE 3: SAVINGS CLAUSE

This Note is subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the principal balance due hereunder at a rate which could subject Lender to either civil or criminal liability as a result of being in excess of the maximum interest rate which Borrower is permitted by applicable law to contract or agree to pay. If by the terms of this Note, Borrower is at any time required or obligated to pay interest on the principal balance due hereunder at a rate in excess of such maximum rate, the Applicable Interest Rate or the Default Rate, as the case may be, shall be deemed to be immediately reduced to such maximum rate and all previous payments in excess of the maximum 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 Lender for the use, forbearance, or detention of the Debt, shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Note until payment in full so that the rate or amount of interest on account of the Debt does not exceed the maximum lawful rate of interest from time to time in effect and applicable to the Debt for so long as the Debt is outstanding.

#### ARTICLE 4: 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 5: JOINT AND SEVERAL LIABILITY

If Borrower consists of more than one person or party, the obligations and liabilities of each person or party shall be joint and several.

#### ARTICLE 6: WAIVERS

Except as otherwise provided in this Note, the Security Instrument, the Modification Agreement or the Other Security Documents, 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, protest and notice of protest and non-payment and all other notices of any kind. Except in connection with a Defeasance, 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 Security Instrument, the Modification Agreement or the Other Security Documents made by agreement between Lender or any other person or party shall release, modify, amend, waive, extend, change, discharge, terminate or affect the liability of Borrower, and any other person or entity who may become liable for the payment of all or any part of the Debt, under this Note, the Security Instrument, the Modification Agreement or the Other Security 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 Security Instrument, the Modification Agreement or the Other Security Documents. If Borrower is a partnership, the agreements contained herein shall remain in full force and effect,

notwithstanding any changes in the individuals or entities comprising the partnership, and the term "Borrower," as used herein, shall include any alternate or successor partnership, but any predecessor partnership and its partners shall not thereby be released from any liability. If Borrower is a corporation, the agreements contained herein shall remain in full force and effect 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 alternate or successor corporation, but any predecessor corporation shall not be relieved of liability hereunder. If Borrower is a limited liability company, the agreements herein contained shall remain in full force and effect, notwithstanding any changes in the individuals or entities comprising the limited liability company and the term "Borrower," as used herein, shall include any alternate or successor limited liability company, but any predecessor limited liability company and its members shall not be released from any liability. (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, corporation or limited liability company which may be set forth in the Security Instrument or any Other Security 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 Modification Agreement, the Security Instrument or the Other Security Documents, or any part thereof, to the transferee who shall thereupon become vested with all the rights herein or under applicable law given to Lender with respect thereto, and Lender shall thereafter forever be relieved and fully discharged from any liability or responsibility in the matter; but Lender shall retain all rights hereby given to it with respect to any liabilities and the collateral not so transferred.

#### ARTICLE 8: WAIVER OF TRIAL BY JURY

BORROWER 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 THIS NOTE, THE APPLICATION FOR THE LOAN EVIDENCED BY THIS NOTE, THIS NOTE, THE SECURITY INSTRUMENT OR THE OTHER SECURITY DOCUMENTS OR ANY ACTS OR OMISSIONS OF LENDER, ITS OFFICERS, EMPLOYEES, DIRECTORS OR AGENTS IN CONNECTION THEREWITH.

#### ARTICLE 9: EXCULPATION

(a) Except as otherwise provided herein, in the Security Instrument, the Modification Agreement or in the Other Security Documents, Lender shall not enforce the liability and obligation of Borrower to perform and observe the obligations contained in this Note, the Security Instrument, the Modification Agreement or the Other Security Documents by any action or proceeding wherein a money judgment shall be sought against Borrower, except that Lender may bring a foreclosure action, action for specific performance or other appropriate

action or proceeding to enable Lender to enforce and realize upon this Note, the Security Instrument, the Modification Agreement, the Other Security Documents, and the interest in the Property, the Rents (as defined in the Security Instrument) and any other collateral given to Lender created by this Note, the Security Instrument and the Other Security Documents; provided, however, that any judgment in any such action or proceeding shall be enforceable against Borrower only to the extent of Borrower's interest in the Property, in the Rents and in any other collateral given to Lender. Lender, by accepting this Note and the Security Instrument, agrees that it shall not, except as otherwise provided in this Article 9, sue for, seek or demand any deficiency judgment against Borrower in any such action or proceeding, under or by reason of or under or in connection with this Note, the Other Security Documents, the Modification Agreement or the Security Instrument. The provisions of this Section shall not, however, (i) constitute a waiver, release or impairment of any obligation evidenced or secured by this Note, the Other Security Documents, the Modification Agreement or the Security Instrument; (ii) impair the right of Lender to name Borrower as a party defendant in any action or suit for judicial foreclosure and sale under the Security Instrument; (iii) affect the validity or enforceability of the Environmental Indemnity (as defined in the Security Instrument), or any guaranty executed in connection with this Note, the Security Instrument, the Modification Agreement or the Other Security Documents; (iv) impair the right of Lender to obtain the appointment of a receiver; (v) impair the enforcement of the Assignment of Leases and Rents executed in connection herewith; or (vi) impair the right of Lender to obtain a deficiency judgment or other judgment on this Note against Borrower if necessary to obtain any insurance proceeds or condemnation awards to which Lender would otherwise be entitled under the Security Instrument; provided, however, Lender shall only enforce such judgment to the extent of such insurance proceeds and/or condemnation awards.

(b) Notwithstanding the provisions of this Article 9 to the contrary, Borrower shall be personally liable to Lender for the Losses (as defined in the Security Instrument) it incurs due to: (i) fraud or intentional misrepresentation by Borrower, Indemnitor (as defined in the Security Instrument), Guarantor (as defined in the Security Instrument) or Vornado Realty Trust in connection with the execution and the delivery of this Note, the Security Instrument, the Modification Agreement or the Other Security Documents; (ii) Borrower's misapplication or misappropriation of Rents received by Borrower after the occurrence of an Event of Default; (iii) Borrower's misapplication or misappropriation of tenant security deposits (including any such deposits, escrows or reserves deposited by tenants for tenant improvement work) or Rents collected in advance; (iv) the misapplication or the misappropriation of insurance proceeds or condemnation awards or the failure to refund any tax rebates due to any tenant no longer in occupancy at the Property; (v) to the extent of Rents from the Property, Borrower's failure to pay Taxes (as defined in the Security Instrument), Other Charges (as defined in the Security Instrument) (except to the extent that sums sufficient to pay such amounts have been deposited in escrow with Lender pursuant to the terms of the Security Instrument), charges for labor or materials or other charges, that can create prior liens on the Property; (vi) any act of physical waste or arson by Borrower, any principal, affiliate, member or general partner thereof or by any Indemnitor or Guarantor; (vii) Borrower's failure to comply with the provisions of Sections 4.2, 12.1 and 12.2 and Article 8 (other than a violation of Article 8 set forth in subsection (c) below) of the Security Instrument; (viii) Borrower's failure to comply with the provisions of Section 4.3 (other than Section 4.3(h)) of the Security Instrument; (ix) Borrower's amendment or modification to the Ground Lease (as defined in the Security Instrument) without the prior

written consent of Lender; and (x) Borrower's amendment or modification to that certain Amended and Restated Construction Operation and Reciprocal Easement Agreement dated as of June 18, 1998 by and among Macy's Kings Plaza Real Estate, Inc. ("MACY'S"), Alexander's Kings Plaza Center, Inc. ("AKPC") and Alexander's Department Stores of Brooklyn, Inc. ("ADSB") and/or Supplemental Agreement dated June 18, 1998 by and among Macy's, AKPC and ADSB without the prior written consent of Lender.

(c) Notwithstanding the foregoing, (i) the agreement of Lender not to pursue recourse liability as set forth in Subsection (a) above SHALL BECOME NULL AND VOID and shall be of no further force and effect in the event of Borrower's default under Article 8 of the Security Instrument caused by a Transfer of the Property in violation of such article or the placement of a voluntary mortgage lien against the Property, and (ii) the Debt shall be fully recourse to Borrower in the event that (A) Borrower files a voluntary petition under the Title 11 of the United States Bankruptcy Code (as amended, the "BANKRUPTCY CODE") or any other Federal or state bankruptcy or insolvency law; or (B) Guarantor or any other affiliate of Borrower which controls Borrower files, or joins in the filing of, an involuntary petition against Borrower under the Bankruptcy Code or any other Federal or state bankruptcy or insolvency law, or solicits or causes to be solicited petitioning creditors for any involuntary petition against Borrower or from any Person, or (C) Borrower files an answer consenting to or joining in any involuntary petition filed against it, by any other Person under the Bankruptcy Code or any other Federal or state bankruptcy or insolvency law, or solicits or causes to be solicited petitioning creditors for any involuntary petition from any Person; or (D) any affiliate which controls Borrower consents to or joins in an application for the appointment of a custodian, receiver, trustee, or examiner for Borrower or any real property portion of the Property; or (E) Borrower makes an assignment for the benefit of creditors.

(d) Nothing herein shall be deemed to be a waiver of any right which Lender may have under Section 506(a), 506(b), 1111(b) or any other provision of the U.S. Bankruptcy Code to file a claim for the full amount of the indebtedness secured by the Security Instrument or to require that all collateral shall continue to secure all of the indebtedness owing to Lender in accordance with this Note, the Security Instrument, the Modification Agreement and the Other Security Documents.

#### ARTICLE 10: AUTHORITY

Borrower represents that Borrower has full power, authority and legal right to execute and deliver this Note, the Security Instrument, the Modification Agreement and the Other Security Documents and that this Note, the Security Instrument, the Modification Agreement and the Other Security Documents constitute valid and binding obligations of Borrower.

#### ARTICLE 11: APPLICABLE LAW

This Note shall be deemed to be a contract entered into pursuant to the laws of the State of New York and shall in all respects be governed, construed, applied and enforced in accordance with the laws of the State of New York.



ARTICLE 12: SERVICE OF PROCESS

(a) (i) Borrower will maintain a place of business or an agent for service of process in New York, New York and give prompt notice to Lender of the address of such place of business and of the name and address of any new agent appointed by it, as appropriate. Borrower further agrees that the failure of its agent for service of process to give it notice of any service of process will not impair or affect the validity of such service or of any judgment based thereon. If, despite the foregoing, there is for any reason no agent for service of process of Borrower available to be served, and if it at that time has no place of business in New York, New York, then Borrower irrevocably consents to service of process by registered or certified mail, postage prepaid, to it at its address given in or pursuant to the first paragraph hereof.

(ii) Borrower initially and irrevocably designates its Chief Financial Officer with offices on the date hereof at c/o Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652 to receive for and on behalf of Borrower service of process in New York, New York with respect to this Note; provided that a copy will be simultaneously provided to Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652, Attention: Vice President for Real Estate.

(b) With respect to any claim or action arising hereunder or under the Security Instrument, the Modification Agreement or the Other Security Documents, Borrower (i) irrevocably submits to the nonexclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York, New York, and appellate courts from any thereof, and (ii) irrevocably waives any objection which it may have at any time to the laying on venue of any suit, action or proceeding arising out of or relating to this Note brought in any such court, irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) Nothing in this Note will be deemed to preclude Lender from bringing an action or proceeding with respect hereto in any other jurisdiction.

ARTICLE 13: COUNSEL FEES

In the event that it should become necessary to employ counsel to collect the Debt or to protect or foreclose the security therefor, Borrower also agrees to pay all reasonable fees and expenses of Lender, including, without limitation, reasonable attorney's fees for the services of such counsel whether or not suit be brought.

ARTICLE 14: NOTICES

All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person or by facsimile transmission with receipt acknowledged by the recipient thereof and confirmed by telephone by sender, (ii) one (1) Business Day after having been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Borrower: ALEXANDER'S KINGS PLAZA, LLC  
ALEXANDER'S OF KINGS, LLC and  
KINGS PARKING, LLC  
c/o Vornado Realty Trust  
210 Route 4 East  
Paramus, New Jersey 07652  
Attention: Chief Financial Officer  
Facsimile No.: (201) 708-6210

With a copy to: Winston & Strawn  
200 Park Avenue  
New York, New York 10166  
Attention: Peter J. Korda, Esq.  
Facsimile No.: (212) 294-4700

and

Vornado Realty Trust  
210 Route 4 East  
Paramus, New Jersey 07652  
Attention: Vice President for Real Estate  
Facsimile No.: (201) 708-6207

If to Lender: JPMorgan Chase Bank,  
successor by merger to Morgan Guaranty  
Trust Company of New York  
Commercial Mortgage Finance Group  
60 Wall Street  
New York, New York 10260  
Attention: Nancy Alto  
Facsimile No.: (212) 648-5274

and

JPMorgan Chase Bank,  
successor by merger to  
Morgan Guaranty Trust Company of New York  
Legal Department  
270 Park Avenue, 39th Floor  
New York, New York 10017  
Attention: Ronald A. Wilcox, Esq.  
Facsimile No.: (212) 270-2934

With a copy to: Cadwalader, Wickersham & Taft  
100 Maiden Lane  
New York, New York 10038  
Attention: William P. McInerney, Esq.  
Facsimile No.: (212) 504-6666

or addressed as such party may from time to time designate by written notice to the other parties.

Either party by notice to the other may designate additional or different addresses for subsequent notices or communications.

"BUSINESS DAY" shall mean a day upon which commercial banks are not authorized or required by law to close in New York, New York.

ARTICLE 15: MISCELLANEOUS

(a) Wherever pursuant to this Note (i) Lender exercises any right given to it to approve or disapprove, (ii) any arrangement or term is to be satisfactory to Lender, or (iii) any other decision or determination is to be made by Lender, the decision of Lender to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory and all other decisions and determinations made by Lender, shall be in the sole and absolute discretion of Lender and shall be final and conclusive, except as may be otherwise expressly and specifically provided herein.

(b) Wherever pursuant to this Note it is provided that Borrower pay any costs and expenses, such costs and expenses shall include, but not be limited to, all reasonable legal fees and disbursements of Lender.

(c) All recitals set forth on page 1 hereof are hereby incorporated in and made a part of this Note to the same extent as if herein set forth in full; provided, however, that said recitals shall not be deemed to modify the express provisions set forth herein.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, Borrower has duly executed this Note as of the day and year first above written.

BORROWER

BORROWER:

ALEXANDER'S KINGS PLAZA, LLC, a Delaware limited liability company

By: /s/ Joseph Macnow  
-----  
Name: Joseph Macnow  
Title: Executive President

ALEXANDER'S OF KINGS, LLC, a Delaware limited liability company

By: /s/ Joseph Macnow  
-----  
Name: Joseph Macnow  
Title: Executive President

KINGS PARKING, LLC, a Delaware limited liability company

By: /s/ Joseph Macnow  
-----  
Name: Joseph Macnow  
Title: Executive President

AMENDED AND RESTATED PROMISSORY NOTE B

\$81,647,936.53

New York, New York  
November 26, 2001

THIS AMENDED AND RESTATED PROMISSORY NOTE B (this "NOTE B") is made this 26th day of November, 2001, by and between ALEXANDER'S KINGS PLAZA, LLC ("PLAZA LLC"), a Delaware limited liability company, ALEXANDER'S OF KINGS, LLC ("KINGS LLC"), a Delaware limited liability company, and KINGS PARKING, LLC ("PARKING LLC"), a Delaware limited liability company, each having its principal place of business at c/o Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652, as maker (Plaza LLC, Kings LLC and Parking LLC are collectively referred to as "BORROWER") to JPMORGAN CHASE BANK, successor by merger to MORGAN GUARANTY TRUST COMPANY OF NEW YORK, a New York banking corporation, having an address at 60 Wall Street, New York, New York 10260, as payee ("LENDER").

R E C I T A L S

WHEREAS, on May 31, 2001 Lender made a loan (the "LOAN") in the aggregate principal amount of \$223,000,000.00 to Borrower, which Loan was evidenced by that certain Amended, Restated and Consolidated Promissory Note dated as of May 31, 2001 (the "ORIGINAL NOTE"), and secured by, among other things, that certain Amended, Restated and Consolidated Security Instrument Security Agreement dated as of May 31, 2001 (the "SECURITY INSTRUMENT").

WHEREAS, that certain Note Modification and Severance Agreement dated as of the date hereof (the "MODIFICATION AGREEMENT") severs the indebtedness evidenced by the Original Note into three separate and distinct obligations of indebtedness evidenced by (a) this Note B evidencing the principal sum of EIGHTY ONE MILLION SIX HUNDRED FORTY SEVEN THOUSAND NINE HUNDRED THIRTY SIX and 53/100 Dollars (\$81,647,936.53), (b) that certain Amended and Restated Promissory Note A1 dated as of the date hereof evidencing the principal sum of NINETY MILLION FOUR HUNDRED THREE THOUSAND EIGHT HUNDRED FORTY SEVEN and No/100 Dollars (\$90,403,847.00), ("NOTE A1"), and (c) that certain Amended and Restated Promissory Note A2 dated as of the date hereof evidencing the principal sum of FIFTY MILLION and No/100 Dollars (\$50,000,000.00) ("NOTE A2").

NOW, THEREFORE, in consideration of the premises, the agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby covenant and agree as follows, effective as of the date first above written:

A. Borrower's indebtedness is EIGHTY ONE MILLION SIX HUNDRED FORTY SEVEN THOUSAND NINE HUNDRED THIRTY SIX and 53/100 Dollars (\$81,647,936.53), as evidenced by this Note B in the principal amount of EIGHTY ONE MILLION SIX HUNDRED FORTY SEVEN THOUSAND NINE HUNDRED THIRTY SIX and 53/100 Dollars (\$81,647,936.53), together with interest thereon as hereinafter provided.

B. Borrower and Lender hereby agree that the portion of the Original Note having been severed pursuant to the Modification Agreement into this Note B is hereby amended, restated and replaced in its entirety with respect to the principal indebtedness evidenced by this Note B (hereafter, this "NOTE") to read as follows:

PROMISSORY NOTE B

\$81,647,936.53

New York, New York  
November 26, 2001

FOR VALUE RECEIVED ALEXANDER'S KINGS PLAZA, LLC ("PLAZA LLC"), a Delaware limited liability company, ALEXANDER'S OF KINGS, LLC ("KINGS LLC"), a Delaware limited liability company, and KINGS PARKING, LLC ("PARKING LLC"), a Delaware limited liability company, each having its principal place of business at c/o Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652, as maker (Plaza LLC, Kings LLC and Parking LLC are collectively referred to as "BORROWER"), hereby unconditionally promises to pay to the order of JPMORGAN CHASE BANK, successor by merger to MORGAN GUARANTY TRUST COMPANY OF NEW YORK, a New York banking corporation, having an address at 60 Wall Street, New York, New York 10260, as payee ("LENDER"), or at such other place as the holder hereof may from time to time designate in writing, the principal sum of EIGHTY ONE MILLION SIX HUNDRED FORTY SEVEN THOUSAND NINE HUNDRED THIRTY SIX and 53/100 Dollars (\$81,647,936.53), 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 Note at the Applicable Interest Rate, and to be paid in accordance with the terms of this Note and that certain Note Modification and Severance Agreement dated as of the date hereof between Borrower and Lender (the "MODIFICATION AGREEMENT"). All capitalized terms not defined herein shall have the respective meanings set forth in the Security Instrument or the Modification Agreement, as applicable.

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 specified in the Modification 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. This Note may be released and/or defeased in accordance with the Modification Agreement.

ARTICLE 2: OTHER SECURITY DOCUMENTS

This Note is secured by the Security Instrument, the Modification Agreement and the Other Security Documents. All of the terms, covenants and conditions contained in the Security Instrument, the Modification Agreement, and the Other Security 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 or the Security Instrument and the Modification Agreement, the terms and provisions of the Modification Agreement shall govern.

ARTICLE 3: SAVINGS CLAUSE

This Note is subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the principal balance due hereunder at a rate which could subject Lender to either civil or criminal liability as a result of being in excess of the maximum interest rate which Borrower is permitted by applicable law to contract or agree to pay. If by the terms of this Note, Borrower is at any time required or obligated to pay interest on the principal balance due hereunder at a rate in excess of such maximum rate, the Applicable Interest Rate or the Default Rate, as the case may be, shall be deemed to be immediately reduced to such maximum rate and all previous payments in excess of the maximum 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 Lender for the use, forbearance, or detention of the Debt, shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Note until payment in full so that the rate or amount of interest on account of the Debt does not exceed the maximum lawful rate of interest from time to time in effect and applicable to the Debt for so long as the Debt is outstanding.

ARTICLE 4: 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 5: JOINT AND SEVERAL LIABILITY

If Borrower consists of more than one person or party, the obligations and liabilities of each person or party shall be joint and several.

ARTICLE 6: WAIVERS

Except as otherwise provided in this Note, the Security Instrument, the Modification Agreement or the Other Security Documents, 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, protest and notice of protest and non-payment and all other notices of any kind. Except in connection with a Defeasance, 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 Security Instrument, the Modification Agreement or the Other Security Documents made by agreement between Lender or any other person or party shall release, modify, amend, waive, extend, change, discharge, terminate or affect the liability of Borrower, and any other person or entity who may become liable for the payment of all or any part of the Debt, under this Note, the Security Instrument, the Modification Agreement or the Other Security 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 Security Instrument, the Modification Agreement or the Other Security Documents. If Borrower is a partnership, the agreements contained herein shall remain in full force and effect,

notwithstanding any changes in the individuals or entities comprising the partnership, and the term "Borrower," as used herein, shall include any alternate or successor partnership, but any predecessor partnership and its partners shall not thereby be released from any liability. If Borrower is a corporation, the agreements contained herein shall remain in full force and effect 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 alternate or successor corporation, but any predecessor corporation shall not be relieved of liability hereunder. If Borrower is a limited liability company, the agreements herein contained shall remain in full force and effect, notwithstanding any changes in the individuals or entities comprising the limited liability company and the term "Borrower," as used herein, shall include any alternate or successor limited liability company, but any predecessor limited liability company and its members shall not be released from any liability. (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, corporation or limited liability company which may be set forth in the Security Instrument or any Other Security 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 Modification Agreement, the Security Instrument or the Other Security Documents, or any part thereof, to the transferee who shall thereupon become vested with all the rights herein or under applicable law given to Lender with respect thereto, and Lender shall thereafter forever be relieved and fully discharged from any liability or responsibility in the matter; but Lender shall retain all rights hereby given to it with respect to any liabilities and the collateral not so transferred.

#### ARTICLE 8: WAIVER OF TRIAL BY JURY

BORROWER 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 THIS NOTE, THE APPLICATION FOR THE LOAN EVIDENCED BY THIS NOTE, THIS NOTE, THE SECURITY INSTRUMENT OR THE OTHER SECURITY DOCUMENTS OR ANY ACTS OR OMISSIONS OF LENDER, ITS OFFICERS, EMPLOYEES, DIRECTORS OR AGENTS IN CONNECTION THEREWITH.

#### ARTICLE 9: EXCULPATION

(a) Except as otherwise provided herein, in the Security Instrument, the Modification Agreement or in the Other Security Documents, Lender shall not enforce the liability and obligation of Borrower to perform and observe the obligations contained in this Note, the Security Instrument, the Modification Agreement or the Other Security Documents by any action or proceeding wherein a money judgment shall be sought against Borrower, except that Lender may bring a foreclosure action, action for specific performance or other appropriate



action or proceeding to enable Lender to enforce and realize upon this Note, the Security Instrument, the Modification Agreement, the Other Security Documents, and the interest in the Property, the Rents (as defined in the Security Instrument) and any other collateral given to Lender created by this Note, the Security Instrument and the Other Security Documents; provided, however, that any judgment in any such action or proceeding shall be enforceable against Borrower only to the extent of Borrower's interest in the Property, in the Rents and in any other collateral given to Lender. Lender, by accepting this Note and the Security Instrument, agrees that it shall not, except as otherwise provided in this Article 9, sue for, seek or demand any deficiency judgment against Borrower in any such action or proceeding, under or by reason of or under or in connection with this Note, the Other Security Documents, the Modification Agreement or the Security Instrument. The provisions of this Section shall not, however, (i) constitute a waiver, release or impairment of any obligation evidenced or secured by this Note, the Other Security Documents, the Modification Agreement or the Security Instrument; (ii) impair the right of Lender to name Borrower as a party defendant in any action or suit for judicial foreclosure and sale under the Security Instrument; (iii) affect the validity or enforceability of the Environmental Indemnity (as defined in the Security Instrument), or any guaranty executed in connection with this Note, the Security Instrument, the Modification Agreement or the Other Security Documents; (iv) impair the right of Lender to obtain the appointment of a receiver; (v) impair the enforcement of the Assignment of Leases and Rents executed in connection herewith; or (vi) impair the right of Lender to obtain a deficiency judgment or other judgment on this Note against Borrower if necessary to obtain any insurance proceeds or condemnation awards to which Lender would otherwise be entitled under the Security Instrument; provided, however, Lender shall only enforce such judgment to the extent of such insurance proceeds and/or condemnation awards.

(b) Notwithstanding the provisions of this Article 9 to the contrary, Borrower shall be personally liable to Lender for the Losses (as defined in the Security Instrument) it incurs due to: (i) fraud or intentional misrepresentation by Borrower, Indemnitor (as defined in the Security Instrument), Guarantor (as defined in the Security Instrument) or Vornado Realty Trust in connection with the execution and the delivery of this Note, the Security Instrument, the Modification Agreement or the Other Security Documents; (ii) Borrower's misapplication or misappropriation of Rents received by Borrower after the occurrence of an Event of Default; (iii) Borrower's misapplication or misappropriation of tenant security deposits (including any such deposits, escrows or reserves deposited by tenants for tenant improvement work) or Rents collected in advance; (iv) the misapplication or the misappropriation of insurance proceeds or condemnation awards or the failure to refund any tax rebates due to any tenant no longer in occupancy at the Property; (v) to the extent of Rents from the Property, Borrower's failure to pay Taxes (as defined in the Security Instrument), Other Charges (as defined in the Security Instrument) (except to the extent that sums sufficient to pay such amounts have been deposited in escrow with Lender pursuant to the terms of the Security Instrument), charges for labor or materials or other charges, that can create prior liens on the Property; (vi) any act of physical waste or arson by Borrower, any principal, affiliate, member or general partner thereof or by any Indemnitor or Guarantor; (vii) Borrower's failure to comply with the provisions of Sections 4.2, 12.1 and 12.2 and Article 8 (other than a violation of Article 8 set forth in subsection (c) below) of the Security Instrument; (viii) Borrower's failure to comply with the provisions of Section 4.3 (other than Section 4.3(h)) of the Security Instrument; (ix) Borrower's amendment or modification to the Ground Lease (as defined in the Security Instrument) without the prior

written consent of Lender; and (x) Borrower's amendment or modification to that certain Amended and Restated Construction Operation and Reciprocal Easement Agreement dated as of June 18, 1998 by and among Macy's Kings Plaza Real Estate, Inc. ("MACY'S"), Alexander's Kings Plaza Center, Inc. ("AKPC") and Alexander's Department Stores of Brooklyn, Inc. ("ADSB") and/or Supplemental Agreement dated June 18, 1998 by and among Macy's, AKPC and ADSB without the prior written consent of Lender.

(c) Notwithstanding the foregoing, (i) the agreement of Lender not to pursue recourse liability as set forth in Subsection (a) above SHALL BECOME NULL AND VOID and shall be of no further force and effect in the event of Borrower's default under Article 8 of the Security Instrument caused by a Transfer of the Property in violation of such article or the placement of a voluntary mortgage lien against the Property, and (ii) the Debt shall be fully recourse to Borrower in the event that (A) Borrower files a voluntary petition under the Title 11 of the United States Bankruptcy Code (as amended, the "BANKRUPTCY CODE") or any other Federal or state bankruptcy or insolvency law; or (B) Guarantor or any other affiliate of Borrower which controls Borrower files, or joins in the filing of, an involuntary petition against Borrower under the Bankruptcy Code or any other Federal or state bankruptcy or insolvency law, or solicits or causes to be solicited petitioning creditors for any involuntary petition against Borrower or from any Person, or (C) Borrower files an answer consenting to or joining in any involuntary petition filed against it, by any other Person under the Bankruptcy Code or any other Federal or state bankruptcy or insolvency law, or solicits or causes to be solicited petitioning creditors for any involuntary petition from any Person; or (D) any affiliate which controls Borrower consents to or joins in an application for the appointment of a custodian, receiver, trustee, or examiner for Borrower or any real property portion of the Property; or (E) Borrower makes an assignment for the benefit of creditors.

(d) Nothing herein shall be deemed to be a waiver of any right which Lender may have under Section 506(a), 506(b), 1111(b) or any other provision of the U.S. Bankruptcy Code to file a claim for the full amount of the indebtedness secured by the Security Instrument or to require that all collateral shall continue to secure all of the indebtedness owing to Lender in accordance with this Note, the Security Instrument, the Modification Agreement and the Other Security Documents.

#### ARTICLE 10: AUTHORITY

Borrower represents that Borrower has full power, authority and legal right to execute and deliver this Note, the Security Instrument, the Modification Agreement and the Other Security Documents and that this Note, the Security Instrument, the Modification Agreement and the Other Security Documents constitute valid and binding obligations of Borrower.

#### ARTICLE 11: APPLICABLE LAW

This Note shall be deemed to be a contract entered into pursuant to the laws of the State of New York and shall in all respects be governed, construed, applied and enforced in accordance with the laws of the State of New York.

ARTICLE 12: SERVICE OF PROCESS

(a) (i) Borrower will maintain a place of business or an agent for service of process in New York, New York and give prompt notice to Lender of the address of such place of business and of the name and address of any new agent appointed by it, as appropriate. Borrower further agrees that the failure of its agent for service of process to give it notice of any service of process will not impair or affect the validity of such service or of any judgment based thereon. If, despite the foregoing, there is for any reason no agent for service of process of Borrower available to be served, and if it at that time has no place of business in New York, New York, then Borrower irrevocably consents to service of process by registered or certified mail, postage prepaid, to it at its address given in or pursuant to the first paragraph hereof.

(ii) Borrower initially and irrevocably designates its Chief Financial Officer with offices on the date hereof at c/o Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652 to receive for and on behalf of Borrower service of process in New York, New York with respect to this Note; provided that a copy will be simultaneously provided to Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652, Attention: Vice President for Real Estate.

(b) With respect to any claim or action arising hereunder or under the Security Instrument, the Modification Agreement or the Other Security Documents, Borrower (i) irrevocably submits to the nonexclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York, New York, and appellate courts from any thereof, and (ii) irrevocably waives any objection which it may have at any time to the laying on venue of any suit, action or proceeding arising out of or relating to this Note brought in any such court, irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) Nothing in this Note will be deemed to preclude Lender from bringing an action or proceeding with respect hereto in any other jurisdiction.

ARTICLE 13: COUNSEL FEES

In the event that it should become necessary to employ counsel to collect the Debt or to protect or foreclose the security therefor, Borrower also agrees to pay all reasonable fees and expenses of Lender, including, without limitation, reasonable attorney's fees for the services of such counsel whether or not suit be brought.

ARTICLE 14: NOTICES

All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person or by facsimile transmission with receipt acknowledged by the recipient thereof and confirmed by telephone by sender, (ii) one (1) Business Day after having been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Borrower: ALEXANDER'S KINGS PLAZA, LLC  
ALEXANDER'S OF KINGS, LLC and  
KINGS PARKING, LLC  
c/o Vornado Realty Trust  
210 Route 4 East  
Paramus, New Jersey 07652  
Attention: Chief Financial Officer  
Facsimile No.: (201) 708-6210

With a copy to: Winston & Strawn  
200 Park Avenue  
New York, New York 10166  
Attention: Peter J. Korda, Esq.  
Facsimile No.: (212) 294-4700

and

Vornado Realty Trust  
210 Route 4 East  
Paramus, New Jersey 07652  
Attention: Vice President for Real Estate  
Facsimile No.: (201) 708-6207

If to Lender: JPMorgan Chase Bank,  
successor by merger to  
Morgan Guaranty Trust Company of New York  
Commercial Mortgage Finance Group  
60 Wall Street  
New York, New York 10260  
Attention: Nancy Alto  
Facsimile No.: (212) 648-5274

and

JPMorgan Chase Bank,  
successor by merger to  
Morgan Guaranty Trust Company of New York  
Legal Department  
270 Park Avenue, 39th Floor  
New York, New York 10017  
Attention: Ronald A. Wilcox, Esq.  
Facsimile No.: (212) 270-2934

With a copy to: Cadwalader, Wickersham & Taft  
100 Maiden Lane  
New York, New York 10038  
Attention: William P. McInerney, Esq.  
Facsimile No.: (212) 504-6666

or addressed as such party may from time to time designate by written notice to the other parties.

Either party by notice to the other may designate additional or different addresses for subsequent notices or communications.

"BUSINESS DAY" shall mean a day upon which commercial banks are not authorized or required by law to close in New York, New York.

ARTICLE 15: MISCELLANEOUS

(a) Wherever pursuant to this Note (i) Lender exercises any right given to it to approve or disapprove, (ii) any arrangement or term is to be satisfactory to Lender, or (iii) any other decision or determination is to be made by Lender, the decision of Lender to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory and all other decisions and determinations made by Lender, shall be in the sole and absolute discretion of Lender and shall be final and conclusive, except as may be otherwise expressly and specifically provided herein.

(b) Wherever pursuant to this Note it is provided that Borrower pay any costs and expenses, such costs and expenses shall include, but not be limited to, all reasonable legal fees and disbursements of Lender.

(c) All recitals set forth on page 1 hereof are hereby incorporated in and made a part of this Note to the same extent as if herein set forth in full; provided, however, that said recitals shall not be deemed to modify the express provisions set forth herein.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, Borrower has duly executed this Note as of the day and year first above written.

BORROWER

BORROWER:

ALEXANDER'S KINGS PLAZA, LLC, a Delaware limited liability company

By: /s/ Joseph Macnow  
-----  
Name: Joseph Macnow  
Title: Executive President

ALEXANDER'S OF KINGS, LLC, a Delaware limited liability company

By: /s/ Joseph Macnow  
-----  
Name: Joseph Macnow  
Title: Executive President

KINGS PARKING, LLC, a Delaware limited liability company

By: /s/ Joseph Macnow  
-----  
Name: Joseph Macnow  
Title: Executive President

CONSENT AND REAFFIRMATION OF INSTRUMENTS

As of November 26, 2001, the undersigned, ALEXANDER'S, INC., a Delaware corporation ("Guarantor 1") is a guarantor under that certain Guaranty ("Guaranty") dated as of May 31, 2001; and ALEXANDER'S KINGS PLAZA, LLC, ALEXANDER'S OF KINGS, LLC, and KINGS PARKING, LLC, each a Delaware limited liability company (collectively, "Guarantor 2"), and Guarantor 1 are all parties to that certain Environmental Indemnity Agreement ("Environmental Agreement") dated as of May 31, 2001, and Guarantor 1 and Guarantor 2 (collectively, "Guarantors") do hereby:

(i) Consent to and acknowledge the execution and delivery of the Note Modification and Severance Agreement made by Borrower and Lender on the date hereof (the "Agreement") and acknowledge and agree that the Agreement does not and shall not impair, reduce or adversely affect the obligations of Guarantor 1 under the Guaranty or the obligations of the Guarantors under the Environmental Agreement.

(ii) Warrant and represent that there are no defenses, offsets or counterclaims with respect to Guarantor 1's obligations under the Guaranty or the Guarantors' obligations under the Environmental Agreement.

(iii) Consent to and acknowledge that the obligations contained in the Guaranty and the Environmental Agreement, as applicable, are continuing and in full force and effect.

This Consent and Reaffirmation of Instruments is for convenience only and shall not be construed as a requirement of law.

[The balance of this page has been intentionally left blank]

The party hereto has caused this Consent and Reaffirmation of Instruments to be duly executed by their duly authorized representative, as of the day and year first above written.

GUARANTOR 1:

ALEXANDER'S, INC.,  
a Delaware Corporation

By: /s/ Joseph Macnow

-----  
Name: Joseph Macnow  
Title: Executive Vice President



The parties hereto have caused this Consent and Reaffirmation of Instruments to be duly executed by their duly authorized representatives, except with respect to any terms hereof which pertain solely and only to the Guaranty, as of the day and year first above written.

GUARANTOR 2:

ALEXANDER'S KINGS PLAZA, LLC,  
a Delaware limited liability company

By: /s/ Joseph Macnow  
-----  
Name: Joseph Macnow  
Title: Executive Vice President

ALEXANDER'S OF KINGS, LLC,  
a Delaware limited liability company

By: /s/ Joseph Macnow  
-----  
Name: Joseph Macnow  
Title: Executive Vice President

KINGS PARKING, LLC,  
a Delaware limited liability company

By: /s/ Joseph Macnow  
-----  
Name: Joseph Macnow  
Title: Executive Vice President

-----  
USD 68,000,000.00

LOAN AGREEMENT

between

ALX of PARAMUS LLC

as

Borrower

and

SVENSKA HANDELSBANKEN AB (publ)

as

Lender

-----  
Dated as of October 2, 2001  
  
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LOAN AGREEMENT  
Table of Contents

|  | Page |
|--|------|
|  | ---- |
| 1. Definitions .....                             | 5    |
| 2. The Loan .....                                | 9    |
| 2.1 Agreement to Lend .....                      | 9    |
| 2.2 Purpose of Loan .....                        | 9    |
| 2.3 Method of Disbursement .....                 | 9    |
| 2.4 Interest .....                               | 10   |
| 2.5 Election of Applicable Rate .....            | 10   |
| 2.6 Repayment of the Loan .....                  | 11   |
| 2.7 Payment Procedures .....                     | 11   |
| 2.8 Prepayment of Loan .....                     | 12   |
| 2.9 Loan Account .....                           | 12   |
| 3. Funding and Yield Protection .....            | 13   |
| 3.1 Substitute Interest Rate .....               | 13   |
| 3.2 Increased Costs .....                        | 13   |
| 3.3 Reserves .....                               | 14   |
| 3.4 Capital Adequacy .....                       | 15   |
| 3.5 Illegality .....                             | 15   |
| 3.6 Funding Losses .....                         | 16   |
| 4. Expenses .....                                | 16   |
| 5. Representations and Warranties .....          | 17   |
| 5.1 Organization of Borrower .....               | 17   |
| 5.2 Power and Authority .....                    | 17   |
| 5.3 Authorization of Borrowing .....             | 17   |
| 5.4 Agreement Binding .....                      | 17   |
| 5.5 Compliance with Law .....                    | 18   |
| 5.6 Consents .....                               | 18   |
| 5.7 Litigation .....                             | 18   |
| 5.8 Other Obligations .....                      | 18   |
| 5.9 Title to Property .....                      | 18   |
| 5.10 Special Purpose Entity Representation ..... | 19   |
| 6. Covenants .....                               | 25   |

|       |   |    |
|-------|---|----|
| 6.1   | Inspection; Environmental Status .....                    | 25 |
| 6.2   | Notice .....  | 25 |
| 6.3   | Taxes .....   | 26 |
| 6.4   | Other Obligations .....                                   | 26 |
| 6.5   | Additional Indebtedness .....                             | 26 |
| 6.6   | Fundamental Changes .....                                 | 26 |
| 6.7   | Net Worth .....   | 27 |
| 6.8   | Lease and Sublease Covenants of Property .....            | 27 |
| 6.9   | Encumbrances .....  | 28 |
| 6.10  | Continuing Special Purpose Entity<br>Representation ..... | 28 |
| 6.11  | Certain Proceeds .....                                    | 28 |
| 6.12  | Escrow .....  | 29 |
| 7.    | Conditions of Loan Advance .....                          | 29 |
| 8.    | Security .....  | 31 |
| 8.1   | Delivery of Security .....                                | 31 |
| 8.2   | Registration .....  | 32 |
| 8.3   | After-Acquired Property and Further<br>Assurances .....   | 32 |
| 9.    | Events of Default .....                                   | 33 |
| 9.1   | Events of Default .....                                   | 36 |
| 9.2   | Consequence of Default .....                              | 36 |
| 9.3   | Remedies Cumulative and Waivers .....                     | 37 |
| 9.4   | Limited Recourse Obligations .....                        | 38 |
| 10.   | Miscellaneous .....                                       | 38 |
| 10.1  | USD Transaction .....                                     | 38 |
| 10.2  | Entire Agreement .....                                    | 39 |
| 10.3  | Waiver; Cumulative Rights .....                           | 39 |
| 10.4  | Binding Effect .....                                      | 39 |
| 10.5  | Governing Law .....                                       | 39 |
| 10.6  | Submission to Jurisdiction .....                          | 39 |
| 10.7  | Notices .....   | 40 |
| 10.8  | Severability .....  | 42 |
| 10.9  | Counterparts .....  | 42 |
| 10.10 | Time of the Essence .....                                 | 42 |
| 10.11 | Further Assurances .....                                  | 42 |

EXHIBITS

|   |    |
|---|----|
| Exhibit A - Assignment of Leases and Rents.....               | 44 |
| Exhibit B - Form of Environmental Indemnity Agreement.....    | 45 |
| Exhibit C - Schedule of Permitted Liens and Encumbrances..... | 46 |
| Exhibit D - Form of Fee Mortgage.....                         | 47 |
| Exhibit E - Limited Recourse Promissory Note.....             | 48 |
| Exhibit F - Notice of Borrowing.....                          | 50 |
| Exhibit G - Escrow Instructions.....                          | 51 |
| Exhibit H - Proposed Subtenant Locations.....                 | 52 |

LOAN AGREEMENT

LOAN AGREEMENT (the "Agreement") dated as of the 2nd day of October, 2001 by and between ALX of Paramus LLC, a limited liability company, organized under the laws of the State of Delaware, with its executive offices located at 210 Route 4 East, Paramus, New Jersey 07652 (the "Borrower") and SVENSKA HANDELSBANKEN AB (publ), a banking corporation organized under the laws of the Kingdom of Sweden, including any branch, agency or other office thereof located at 153 East 53rd Street, 37th Floor, New York, New York 10022 (the "Bank").

1. Definitions.

When used herein, the following terms shall have the meanings set forth below:

"Applicable Rate" means the LIBOR Rate or the Fixed Rate at which interest shall accrue on the Loan, such Applicable Rate to be elected by the Borrower pursuant to Section 2.5 hereof.

"Assignment" means the Assignment of Leases and Rents dated as of the date hereof, pursuant to which the Borrower assigns leases and rents in respect of the Property (including the Ground Lease and any sublease, and rents under any thereof, and the Guaranty) to the Bank as part of the Security, which shall be in the form attached hereto as Exhibit A.

"Banking Day" means a day, other than a Saturday or Sunday, on which banks are open for business in New York City, New York.

"Drawdown Date" means the date on which the Loan shall be advanced by the Bank, which shall be not later than thirty (30) days after the date of this Agreement.

"Escrow Agent" means the escrow agent designated by the Bank as such pursuant to the Escrow Instructions.

"Escrow Instructions" means the Escrow Instructions between and among the Borrower, the Ground Lessee, the Bank and the Escrow Agent, which shall be in the form of Exhibit G hereto.

"Event of Default" shall have the meaning set forth in Section 9.1.

"Fee Mortgage" means the Mortgage, Security Agreement and Fixture Financing Statement dated as of the date hereof from the Borrower to the Bank pursuant to which the Borrower grants to the Bank a first priority security interest in the Property to secure repayment of the Loan and as further provided therein, subject to no liens or encumbrances except as set forth on Exhibit C annexed hereto, which Fee Mortgage shall be in the form attached hereto as Exhibit D.

"Fixed Rate" means the per annum interest rate equal to (i) the Bank's cost of funding for the relevant Interest Period plus (ii) eight-tenths of one percent (.8%) per annum, offered by the Bank and accepted by the Borrower pursuant to Section 2.5 hereof, not later than 11:00 A.M. New York City time on the date of commencement of the relevant Interest Period.

"Ground Lease" means the Ground Lease Agreement dated as of October 4, 2001 between Ground Lessee and the Borrower pursuant to which the Borrower shall lease the Property to the Ground Lessee.

"Ground Lessee" means IKEA Property, Inc., a corporation organized under the laws of the State of Delaware, which is the lessee of the Property under the Ground Lease.

"Guarantor" means IKEA Holding US, Inc., a corporation organized under the laws of the State of Delaware, which owns, directly or indirectly, all of the capital shares of the Ground Lessee.

"Guaranty" means the Guaranty Agreement dated as of October 4, 2001 from the Guarantor to the Borrower, pursuant to which the Guarantor guaranties the Ground Lessee's obligations under the Ground Lease.

"Indemnity Agreement" means the Environmental Indemnity Agreement dated as of the date hereof pursuant to which the Borrower agrees to indemnify the Bank with respect to hazardous and toxic substances in the form attached hereto as Exhibit B.

"Inducement Certificate" shall mean a certificate dated the date hereof, setting forth certain representations to the Bank by the transferor of the Property to the Borrower, with respect to the financial condition, business, assets and liabilities, and other relevant information as may be requested by the Bank concerning such transferor and its affiliates and the circumstances of such transfer.

"Interest Payment Date" means the earlier of (i) the last day of each Interest Period or (ii) the date one month following the Drawdown Date and each date one month following the previous Interest Payment Date.

"Interest Period" means the period commencing on the Drawdown Date or the last day of the Interest Period then ending and (i) if the Borrower has elected that the Applicable Rate shall be an LIBOR Rate, having a duration of one, two, three, six or twelve months and (ii) if the Borrower has elected that the Applicable Rate shall be a Fixed Rate, having a duration of over 12 months up to 120 months, as the Borrower shall designate pursuant to Section 2.5 hereof. Notwithstanding the foregoing, (a) the last Interest Period commencing prior to the Maturity



Date shall end on the Maturity Date, (b) any Interest Period that would otherwise end on a day that is not a Banking Day shall be extended to the next succeeding Banking Day unless that Banking Day falls in another calendar month in which case the Interest Period shall end on the first preceding Banking Day, (c) any Interest Period that begins on the last Banking 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 also end on the last Banking Day of a calendar month, and (d) notwithstanding anything in this definition to the contrary, "Interest Period" shall also mean with respect to any amounts in default, such periods as the Bank shall elect.

"LIBOR" means the per annum interest rate at which Dollar deposits in the amount of the Loan outstanding as of the commencement of the relevant Interest Period are offered for such Interest Period as stated on Telerate page 3750 fixed at approximately 11:00 A.M. London time on the date three Banking Days prior to the commencement of the relevant Interest Period.

"LIBOR Rate" means the rate per annum equal to (i) one-, two-, three-, six- or twelve-month LIBOR, as the Borrower may elect pursuant to Section 2.5 hereof, plus (ii) eight-tenths of one percent (.8 %) per annum.

"Loan" means the aggregate principal amount of USD 68,000,000 advanced by the Bank to the Borrower hereunder or, where the context may require, the amount thereof then outstanding.

"Loan Documents" means this Agreement the Note, the Security and any certificates or documents given in connection with the transactions contemplated hereby or thereby.

"Maturity Date" means the date which is ten (10) years after the Drawdown Date.

"Net Worth" means the excess of the Borrower's assets over its liabilities determined as of the end of each fiscal year in accordance with United States generally accepted accounting principles consistently applied.

"Note" means the promissory note of the Borrower evidencing the Loan in the form attached hereto as Exhibit E.

"Property" means the lands and any improvements and fixtures thereon, in the town of Paramus, New Jersey (comprising approximately 30 acres) described on Exhibit A to the Fee Mortgage, on which the Ground Lessee intends to develop a retail store facility.

"Security" has the meaning set forth in Section 8.1.

"USD" means dollars in the lawful money of the United States of America.

## 2. The Loan.

2.1 AGREEMENT TO LEND. Subject to the terms and conditions of this Agreement, the Bank agrees to advance the Loan to the Borrower as provided below.

2.2 PURPOSE OF LOAN. The Borrower shall use the proceeds of the Loan to refinance indebtedness secured by the Property in connection with transfer of the Property to the Borrower to facilitate the Ground Lease and for general business purposes of the Borrower.

2.3 METHOD OF DISBURSEMENT. The Borrower shall borrow the Loan in one advance on the Drawdown Date, provided that the Borrower shall have given the Bank Notice of Borrowing in the form of Exhibit F hereto setting forth the proposed Drawdown Date not later than 11:00 a.m., New York City time, three Banking Days prior thereto. The Loan shall be advanced in immediately available funds to such account as the Borrower shall specify by notice given to the Bank prior to the Drawdown Date.

2.4 INTEREST.

(a) The Borrower agrees to pay to the Bank interest on the Loan outstanding from time to time at a rate per annum (subject to Section 2.4(b)) equal to the Applicable Rate. Accrued interest shall be payable in arrears on each Interest Payment Date.

(b) Notwithstanding anything to the contrary contained herein, upon the occurrence of an Event of Default, the Borrower shall, upon notice by the Bank (effective upon receipt) pay on demand default interest on the Loan outstanding, from the date of such default to the date the default is cured by the Borrower, at a rate which is two percent (2%) above the Applicable Rate (the "Default Interest Rate").

(c) All interest hereunder shall accrue on the basis of a 360-day year and actual days elapsed and shall accrue from and including the first day of an Interest Period to but not including the last day of an Interest Period.

(d) The yearly rate of interest which is equivalent to the Applicable Rate in effect from time to time is the product of:

(i) the Applicable Rate then in effect (which is based upon a 360-day year); and

(ii) the number of days in the current calendar year (365 or 366, as the case may be) divided by 360.

2.5 ELECTION OF APPLICABLE RATE. Unless hereinafter specified in this Section 2.5, prior to the Drawdown Date the Borrower, by notice to the Bank consented to by the Ground Lessee, shall elect an LIBOR Rate or a Fixed Rate and specify the duration of the first Interest Period (that is, (i) in the case of an LIBOR Rate, one, two, three, six or twelve months, or (ii) in the case of a Fixed Rate, a duration of over 12 months up to 120 months). Thereafter, on the date (i)

three Banking Days prior to the end of each Interest Period (in the case of a LIBOR Rate), or (ii) which is the last day of each Interest Period (in the case of a Fixed Rate), the Borrower, with the consent of the Ground Lessee, shall specify the duration of the next Interest Period (that is, (i) in the case of a LIBOR Rate, one, two, three, six or twelve months, or (ii) in the case of a Fixed Rate, a duration of over 12 months up to 120 months). The Interest Period elected shall not extend beyond the Maturity Date.

2.6 REPAYMENT OF THE LOAN. The Borrower shall repay the Loan in one installment of USD 68,000,000 on the Maturity Date. All outstanding principal amount of the Loan, together with accrued but unpaid interest, fees, loan funding or breakage losses, and expenses owing with respect to the Loan, shall be finally due and payable on the Maturity Date.

2.7 PAYMENT PROCEDURES.

(a) All sums payable to the Bank hereunder or to the Bank under any document contemplated hereby, shall be payable in New York, New York in USD by wire transfer in immediately available funds without set-off or counterclaim not later than 1:00 p.m. New York time on the day in question to the account of the Bank at such place as the Bank may specify from time to time by written notice to the Borrower and the Escrow Agent.

(b) If any payment of principal or interest would otherwise be payable on a day which is not a Banking Day, such payment shall be payable on the next succeeding Banking Day, and such extension shall be included in the computation of interest.

(c) If at any time the Borrower is required by law to make any deduction or withholding in respect of any taxes, duties or other charges from any payment due hereunder, the sum due from the Borrower in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Bank receives and retains a

net sum equal to the sum that it would have received had no such deduction or withholding been required to be made. The Borrower shall promptly deliver to the Bank receipts, certificates or other proof evidencing the amounts (if any) paid or payable in respect of such deduction or withholding.

(d) Payments to the Bank pursuant to this Agreement shall be made by the Escrow Agent in accordance with the Escrow Instructions to the extent of funds available thereunder for such payments. Any deficiency in such available funds shall be paid to the Bank directly by the Borrower.

2.8 PREPAYMENT OF LOAN. The Borrower may at its option prepay the Loan, in whole, at any time, together with accrued interest thereon to the date of prepayment, subject to the following: (a) the Borrower shall give the Bank irrevocable notice of such prepayment (effective on receipt) not less than three Banking Days prior thereto; (b) amounts prepaid may not be reborrowed; and (c) the Borrower shall pay to the Bank together with such prepayment an amount equal to all funding losses and costs incurred by the Bank as a result of the prepayment as such funding losses and costs shall be determined by the Bank and notified to the Borrower. The Bank, upon becoming entitled to be paid funding losses and costs shall deliver a certificate to the Borrower certifying as to such amounts and, in the absence of manifest error, such certificate shall be conclusive and binding for all purposes.

2.9 LOAN ACCOUNT. The Bank shall open and maintain on its books a loan account in the Borrower's name which shows the advance of the Loan, repayments, the computation and payment of interest, and other amounts due and sums paid hereunder. Such loan account shall be conclusive and binding on the Borrower as to the amount at any time due from the Borrower, absent manifest error.

### 3. Funding and Yield Protection.

3.1 SUBSTITUTE INTEREST RATE. If on or before the date on which the LIBOR Rate is to be determined for any Interest Period, the LIBOR Rate for periods equal to the relevant Interest Period are not being offered to the Bank in New York or the LIBOR Rate does not accurately reflect the Bank's cost for making the loan for any reason whatsoever, or if the Borrower has failed to elect the Applicable Rate for any reason, then (i) the Bank shall promptly give notice of such determination to the Borrower and (ii) the Bank's obligation to make the Loan at the LIBOR Rate shall be suspended until the Bank gives notice to the Borrower that the circumstances giving rise to such determination no longer exist. The parties shall immediately thereafter enter into negotiations in good faith with a view to agreeing on an alternate mutually acceptable basis of determining the interest rate to be applicable to the Loan. If at the expiry of thirty (30) days from the date of such notice no alternate basis has been agreed upon, then the Bank shall specify an alternate interest rate and interest period and set forth the terms thereof in a notice to the Borrower in which the Bank shall certify that in its reasonable judgment such terms generate for the Bank a yield approximately equivalent to that provided for in this Agreement (which terms shall thereupon be conclusive and binding, absent manifest error, on the Borrower retroactively from the beginning of the period for which such notice was given). The foregoing procedure shall be repeated if the circumstances that made it necessary continue beyond the interest period set in accordance with such procedure.

3.2 INCREASED COSTS. If any change in any law, regulation or treaty, or in the interpretation or administration thereof by any United States, Swedish or other governmental authority or central bank or comparable agency charged with the interpretation or administration

thereof, or compliance by the Bank with any request or directive (whether or not having the force of law) of any authority charged with the interpretation or administration thereof (a "Change of Law"), shall in the sole determination of the Bank:

(a) subject the Bank to any tax, levy or other governmental charge with respect to this Agreement, the Escrow Instructions, the Loan or its obligation to make the Loan or change the basis of taxation of payments by the Borrower to the Bank in respect of this Agreement or the Loan (other than any tax on or measured by the overall net income of the Bank); or

(b) impose, modify or hold applicable any reserve, special deposit or similar requirement against assets of, deposits or other liabilities of or for the account of, or loans or commitments by, the Bank with respect to the Loan; or

(c) impose on the Bank any other condition with respect to this Agreement, the Escrow Instructions or the Loan or its obligation to make the Loan; and the result of any of the foregoing is to increase the cost to the Bank of making or maintaining the Loan or to reduce the amount of any sum received or receivable by the Bank under this Agreement, the Escrow Instructions, or the Note, then the Bank shall notify the Borrower of such increased cost or reduced amounts and the Borrower shall pay to the Bank on demand from time to time such additional amounts as may be necessary to reimburse the Bank for such increased cost or to compensate the Bank for such reduced amounts.

3.3 RESERVES. If at any time by reason of Regulation D of the Board of Governors of the Federal Reserve System (including any successor thereto), as revised from time to time, the Bank is required in its judgment to maintain reserves with respect to LIBOR Rate liabilities, then the Bank shall notify the Borrower of such requirement and upon demand by the Bank, the Borrower shall immediately pay to the Bank, from time to time as specified by the Bank,

amounts which shall be sufficient to compensate the Bank for the cost of maintaining reserves against the deposits or other funds obtained by the Bank to make or maintain the Loan.

3.4 CAPITAL ADEQUACY. If in the Bank's judgment any Change of Law regarding capital adequacy has the effect of reducing the rate of return on the Bank's capital as a consequence of its commitment hereunder or its making of the Loan pursuant to this Agreement to a level below that which the Bank could have achieved but for such Change of Law (taking into consideration the Bank's policies with respect to capital adequacy) by an amount deemed by the Bank to be material, then the Bank shall notify the Borrower of such change of law and upon demand by the Bank, the Borrower shall pay to the Bank, from time to time as specified by the Bank, such additional amount or amounts which shall be sufficient to compensate Bank for such reduction in respect of its commitment to the Borrower hereunder, or its advance of the Loan.

3.5 ILLEGALITY. Notwithstanding any other provision of this Agreement, if the Bank determines that any Change of Law makes it unlawful to fund the Loan at an Applicable Rate, or otherwise to make or maintain the Loan or to receive any amount payable under this Agreement, or the Note, then (i) the Bank shall give notice of such determination to the Borrower, and (ii) the Borrower shall either convert the Loan to another Applicable Rate selected by the Bank (as to which the Bank shall certify that in its reasonable judgment such rate generates for the Bank a yield approximately equivalent to that provided for in this Agreement and which rate shall thereupon be conclusive and binding, absent manifest error, on the Borrower retroactively from the beginning of the period for which such notice was given), or prepay the Loan in full, together with interest accrued to the date of prepayment, on the last day of the current Interest Period or, if the Bank determines that such law, regulation, treaty or change requires such conversion or prepayment prior to such date, on demand of the Bank.



3.6 FUNDING LOSSES. Except as permitted under Section 2.7(b) hereof, if the Borrower (i) fails to fulfill the conditions set forth in Section 7 by the times specified for their fulfillment; (ii) fails to pay as and when due any payment of principal or interest on the Loan, or (iii) makes any payment of principal on the Loan other than on the last day of an Interest Period (including a payment by reason of the Bank's receipt of casualty insurance proceeds, a condemnation award or the sale of the Property pursuant to the Ground Lessee's purchase option contained in the Ground Lease prior to the Maturity Date, or otherwise), then the Borrower shall pay the Bank the amount of any losses, costs and expenses reasonably incurred as a consequence thereof, including any loss of margin or expenses incurred in liquidating or re-employing deposits or other funds acquired to make the Loan.

#### 4. Expenses.

The Borrower shall, whether or not the Loan is advanced, reimburse the Bank on demand for all reasonable costs and expenses incurred by the Bank in connection with its negotiation, preparation and execution of this Agreement, the Security and the other documentation hereunder (including any amendments, waivers or consents required during the term hereof), including without limitation, the reasonable fees and expenses of counsel for the Bank and of other professional advisers and all out-of-pocket costs, incurred in the administration and enforcement of and preservation of its rights under this Agreement and the Security and in the determination of whether there has occurred an Event of Default or an event that, with the giving of notice or the passing of time, or both, would constitute an Event of Default. Such expenses shall be reimbursed whether or not the Bank gives notice of such Event of Default or event or demands acceleration of the Loan or takes other action to enforce the provisions of this

Agreement. All such expenses shall bear interest at the Applicable Rate from the date of invoicing thereof by the Bank to the Borrower and until paid by the Borrower.

#### 5. Representations and Warranties.

The Borrower hereby represents and warrants to the Bank as follows:

5.1 ORGANIZATION OF BORROWER. The Borrower is a limited liability company duly organized and validly existing under the laws of its jurisdiction of formation.

5.2 POWER AND AUTHORITY. The Borrower has full legal right, power and authority to carry on its present business, to own its property and assets and to perform its obligations hereunder, under the Escrow Instructions and under the Security, and is licensed, registered and qualified to own such property and carry on its business.

5.3 AUTHORIZATION OF BORROWING. All appropriate and necessary action has been taken by the Borrower to authorize the execution and delivery of this Agreement, the Escrow Instructions and the Security and to authorize the performance and observance of the terms hereof and thereof.

5.4 AGREEMENTS BINDING. Assuming due execution and delivery by the parties thereto other than the Borrower, this Agreement, the Escrow Instructions and the Note constitute, and the Security when executed and delivered pursuant hereto will constitute, the legal, valid and binding obligations of the Borrower, enforceable in accordance with their respective terms. The execution, delivery and performance of this Agreement, the Note, the Escrow Instructions and the Security will not result in a violation of the constituent governing instruments of the Borrower or any resolutions adopted by the members of the Borrower, violate any provision of law or other governmental directive (assuming that no such violation will occur as a result of the

status or capacity or any activity of the Bank), or conflict with or result in the breach of any provision of any agreement to which the Borrower is a party or by which it or any of its property or assets is bound, and will not constitute a default or an event that with the giving of notice or the passing of time, or both, would constitute a default under any such agreement, or require any approval or consent of any governmental authority or agency having jurisdiction except such as has already been obtained.

5.5 COMPLIANCE WITH LAW. The Borrower is conducting its business and operations in all material respects in compliance with all applicable laws and directives of governmental authorities having the force of law. The Borrower has filed all tax returns required to be filed and has paid all taxes due in respect of the ownership of its assets, or the conduct of its operations except to the extent that the payment of such taxes is being contested in good faith by the Borrower, adequate reserves having been provided for the payment thereof.

5.6 CONSENTS. All licenses, consents and approvals required from and all registrations and filings required to be made with any governmental or other public body or authority to authorize the performance by the Borrower of its obligations under this Agreement, the Note, the Escrow Instructions and the Security have been obtained and effected.

5.7 LITIGATION. There are no legal actions or arbitration or other proceedings pending or, to the best of the Borrower's knowledge, threatened against the Borrower.

5.8 OTHER OBLIGATIONS. The Borrower is not in default in any material respect in the performance, observance or fulfillment of any obligation, covenant or condition in any agreement or instrument to which it is a party or by which it is bound.

5.9 TITLE TO PROPERTY. The Borrower has, and when it executes and delivers the Security will have, good title to the Property, free and clear of any mortgage, charge, lien,

security interest or other encumbrance, whether fixed or floating (other than the liens and encumbrances described on Exhibit C annexed hereto), on any such assets and no person has any agreement or right to acquire an interest in such assets other than as provided herein.

5.10 SPECIAL PURPOSE ENTITY REPRESENTATIONS. The Borrower hereby further represents to the Bank (which representations shall survive until one year after the earlier of (x) the end of the term of the Agreement or (y) repayment of the Loan and all amounts due under this Agreement), as follows:

(a) the Borrower has not and will not change its organizational documents in any material term or manner, or in a manner which adversely affects the Borrower's existence as a single purpose entity;

(b) to the fullest extent permitted by law, the Borrower has not and will not enter into any transaction of merger or consolidation, or liquidate or dissolve itself (or suffer any liquidation or dissolution), or acquire by purchase or otherwise all or substantially all the business or assets of, or any stock or other evidence of beneficial ownership of, any entity;

(c) except as provided for in the Loan Documents, the Borrower has not and will not guarantee, pledge its assets for the benefit of, or otherwise become liable on or in connection with any obligation of any other entity or person;

(d) the Borrower has and will not own any material asset other than (i) the Property and (ii) incidental personal property necessary for the operation of the Property, and the Borrower shall not form, acquire or hold any subsidiary;

(e) the Borrower has not engaged, is not engaged and will not engage, directly or indirectly, in any business other than the ownership, management and operation and maintenance of the Property;

(f) the Borrower has not and will not enter into any contract or agreement with any affiliate (singularly, "Affiliate" and collectively, "Affiliates") of the Borrower, including the Member (as defined in the Borrower's LLC agreement (the "LLC Agreement") as of the date hereof, except upon terms and conditions that are intrinsically fair, commercially reasonable and substantially similar to those that would be available on an arms-length basis with third parties other than any Affiliates;

(g) the Borrower has not incurred and will not incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than (i) the Loan, (ii) trade payables incurred in the ordinary course of its respective business of owning and operating the Property and the routine administration of the Borrower, which do not in the aggregate exceed \$100,000, and which are not more than 60 days past the date incurred and which amounts are normal and reasonable under the circumstances, provided such liabilities are not evidenced by a note and are paid when due, and (iii) such other liabilities that may be permitted pursuant to the Fee Mortgage, and no debt other than the Loan may be secured (whether senior, subordinate or *pari passu*) by the Property;

(h) the Borrower has not made and will not make any loans or advances to any entity or person (including any Affiliates);

(i) the Borrower is currently and in the future shall remain solvent and shall pay its debts from its own assets as the same shall become due (to the extent it has assets available for such purpose);

(j) the Borrower has done or caused to be done and will do all things necessary to preserve its limited liability company existence and will observe in all material respects all formalities applicable to it;

(k) the Borrower will conduct and operate its business as presently conducted and operated;

(l) the Borrower has and will maintain its financial statements, books and records and bank accounts, separate from those of its Affiliates or any other person or entity; the Borrower's assets and liabilities have not and shall not be listed as assets and liabilities on the financial statements of any other entity, except that the assets and liabilities of the Borrower may be listed on the consolidated financial statements of Alexander's, Inc. and its consolidated subsidiaries, and except as required by generally accepted accounting principles; and the Borrower shall prepare unaudited quarterly and annual financial statements which shall substantially comply with generally accepted accounting principles;

(m) the Borrower is and will be, and at all times will hold itself out to the public as, a legal entity separate and distinct from any other entity (including any Affiliates); the Borrower shall not identify itself as a division of any other entity or person and shall correct any known misunderstanding regarding its separate identity; and the Borrower shall conduct business in its own name;

(n) the Borrower will maintain sufficient employees (which may be no employees) and currently maintains and intends to maintain in the future adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated respective business operations;

(o) to the fullest extent permitted by law, the Borrower will not seek its dissolution or winding up, in whole or in part;

(p) the Borrower will not commingle its funds and other assets with those of any Affiliate or any other entity or person;

(q) the Borrower has and will maintain its assets in such a manner that it is not prohibitively costly or difficult to segregate, ascertain or identify its individual assets from those of any Affiliate or any other entity or person;

(r) the Borrower does not and will not hold itself out to be responsible for the debts or obligations of any Affiliate or any other entity or person except to the extent required by the Loan Documents;

(s) the Borrower will not do any act which would make it impossible for it to carry on its ordinary business;

(t) the Borrower will establish and maintain its office through which its business will be conducted separate and apart from those of its Affiliates or shall allocate fairly and reasonably any overhead and expense for shared office space with its Affiliates;

(u) the Borrower will pay any of its liabilities out of its own funds, including any salaries of its employees, not out of funds of any Affiliate;

(v) the Borrower will use stationery, invoices, and checks separate from its Affiliates;

(w) the Borrower will not possess or assign the Property or incidental personal property necessary for the operation of the Property for other than a business or company purpose;

(x) the Borrower will not sell, encumber or otherwise dispose of all or substantially all of the Property or incidental personal property necessary for the operation of the Property, except as permitted by the Fee Mortgage;

(y) the Borrower will not hold title to its assets (including the Property) other than in its name;

(z) the Borrower will at all times have at least one Independent Director (as defined in the LLC Agreement dated as of August 24, 2001); in the event of death, incapacity, resignation or removal of an Independent Director, the Member shall immediately replace such Independent Director with another Independent Director; and no action of the Borrower which requires the consent of the Independent Director as provided in the LLC Agreement shall be taken in the absence of an affirmative vote of the Independent Director;

(aa) the Borrower will not acquire the obligations or securities of any Affiliates, including the Member;

(bb) the Borrower will not, without the unanimous consent of its directors, including the affirmative vote of the Independent Director, institute proceedings to be adjudicated bankrupt or insolvent; or consent to the institution of bankruptcy or insolvency proceedings against it; or file a petition seeking, or consent to, reorganization or relief under any applicable federal or state law relating to bankruptcy; or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) for a substantial part of its property; or make any assignment for the benefit of its creditors; or admit in writing its inability to pay its respective debts generally as they become due; or take any action in furtherance of any such action;

(cc) the LLC Agreement (Section 5(c)) provides that upon the occurrence of any event that causes the Member to cease to be a member of the Borrower (with certain limited exceptions) the Independent Director shall, without any action of any person and simultaneously with the Member ceasing to be a member of the Borrower, automatically be admitted to the Borrower as a Special Member (as defined in the LLC Agreement dated as of August 24, 2001) and shall continue the Borrower without dissolution; the LLC Agreement also provides that no



Special Member may resign from the Borrower or transfer its rights as a Special Member unless (i) a successor Special Member has been admitted to the Borrower by executing a counterpart to the LLC Agreement, and (ii) such successor has also accepted its appointment as Independent Director pursuant to Section 10 of the LLC Agreement, provided, however, a Special Member shall automatically cease to be a member of the Borrower upon the admission to the Borrower of a substitute Special Member;

(dd) the membership interests in Borrower are non-transferable and not subject to any pledge;

(ee) the provisions of this Section have been incorporated into the Borrower's constituent governing instruments, with requisite authorization by the Borrower's sole Member for the same, and require unanimity action of the Independent Director for any bankruptcy, dissolution, liquidation, merger, consolidation or change from the provisions set forth in this Section 5.10;

(ff) the Borrower has no contracts other than arms-length agreements with unaffiliated providers of professional services and the agreements contemplated by this Agreement, except for the following: a Management and Development Agreement dated as of the 6th day of February, 1995, between Alexander's, Inc. on behalf of various subsidiaries, and Vornado Realty Trust, as Manager (as heretofore modified and amended, the "Management Agreement") and a Real Estate Retention Agreement dated July 20, 1992 between Vornado, Inc. and Keen Realty Consultants Inc., as consultants, and Alexander's, Inc. and certain subsidiaries (as heretofore modified and amended, the "Agency Agreement"); and

(gg) the Borrower has not co-mingled assets with any Affiliates and shall not use any assets or Loan proceeds to pay or guaranty any debts of its stockholder(s) or any affiliated

entity (provided that the foregoing shall not restrict the Borrower from distributing Loan proceeds (as a distribution or loan) to its member or an affiliated entity for such purposes).

#### 6. Covenants.

The Borrower hereby covenants to the Bank that, until the Loan and all amounts payable hereunder are indefensibly repaid to the Bank, the Borrower shall perform the following obligations or the following conditions shall remain true and correct, as applicable:

6.1 INSPECTION; ENVIRONMENTAL STATUS. The Borrower shall permit the Bank and its representatives, upon notice to the Borrower, at all reasonable times to inspect the Property, and the Borrower's activities, books of account and records and shall cause its representatives, employees and accountants to give their full cooperation and assistance in connection with any visits by or financial conferences with the Bank or its representatives. The Borrower shall cause the Property to be maintained free from hazardous substances and environmental contaminants in accordance with the Ground Lease and the Indemnity Agreement and shall provide, or cause to be provided, to the Bank from time to time such information as the Bank may reasonably request (which may include updated environmental inspections or surveys) with respect to the environmental condition of the Property.

6.2 NOTICE. The Borrower shall promptly give notice to the Bank of (i) any dispute between the Borrower and any governmental authority with respect to payment of taxes or any other matter if such dispute involves potential liability to the Borrower of USD 100,000 or more; (ii) the occurrence of any Event of Default or event that, with the giving of notice or the passing of time, or both, would constitute an Event of Default hereunder; and/or (iii) the occurrence of any default or breach or other event that, with the giving of notice or the passing of time, or both,

would constitute an event of default or breach under any other agreement to which the Borrower is a party and which could have a material adverse effect on the Borrower's condition (financial or otherwise).

6.3 TAXES. The Borrower shall pay and discharge, or cause to be paid and discharged, all taxes and governmental charges upon it or against any of its property or assets prior to the date after which penalties attach for failure to pay, except to the extent that the Borrower, the Ground Lessee, any subtenant of the Ground Lessee, or any mortgagee of any thereof, is contesting in good faith its obligation to pay such taxes or charges, adequate reserves having been set aside for the payment thereof. The Borrower shall make timely filings of all tax returns and all state and other governmental reports required to be filed or submitted under any applicable laws or regulations.

6.4 OTHER OBLIGATIONS. The Borrower shall punctually pay and perform all contractual obligations hereunder and pursuant to agreements to which it is a party or by which it is bound at any time during the term of this Agreement.

6.5 ADDITIONAL INDEBTEDNESS. The Borrower shall not, without the prior written consent of the Bank (which shall be given or withheld in the Bank's sole discretion), create, incur, assume or otherwise become liable for any indebtedness.

6.6 FUNDAMENTAL CHANGES.

(a) Without the prior written consent of the Bank (which shall be given or withheld in the Bank's sole discretion) the Borrower shall not merge or consolidate with, or acquire any interest in, any other person or entity. The Borrower shall not liquidate, wind-up or dissolve itself (whether voluntarily or by operation of law), or institute any proceeding for the foregoing, nor shall either cease to do or terminate its business or operations. The Borrower

shall give the Bank not less than ninety (90) days prior written notice of any change of the Borrower's corporate name, the location of its principal executive offices, its jurisdiction of incorporation, or any amendment to its certificate of incorporation or by-laws.

(b) The Borrower shall not convey, sell, assign, transfer, pledge, lease, encumber, hypothecate or grant a security interest in or otherwise dispose of the Property (except pursuant to the Ground Lessee's purchase option pursuant to Section 46 of the Ground Lease), the Ground Lease or rents thereunder, or any interest in any of the foregoing.

6.7 NET WORTH. The Borrower shall maintain a positive Net Worth.

6.8 LEASE AND SUBLEASE COVENANTS. Without the prior written consent of the Bank (which may be granted or withheld in the Bank's sole discretion, except as otherwise hereinafter provided), the Borrower shall not consent to any sublease, assignment, amendment, modification or termination of the Ground Lease. Any assignment of the Ground Lease by the Ground Lessee will require the Bank's prior written consent. The Bank will not unreasonably withhold its consent to subleases of the Property at fair market rents which meet the criteria for subleases set forth in the Ground Lease, and, if such consent is given, will (i) grant sublessees recognition and non-disturbance and (ii) permit sublessee leasehold financing and recording of a mortgage securing such subleasehold financing; provided that the Ground Lessee shall have provided the Bank with (a) reasonably detailed information regarding the proposed sublessee, (b) a term sheet which details the principal terms for the proposed sublease, (c) financial statements for the proposed sublessee, (d) the location of any sublease improvements on the Property, and (e) the form of the proposed sublease; and provided, further, that the only grounds for withholding consent by the Bank shall be a lack of long-term financial viability of the proposed sublessee or a proposed use of the Property by the sublessee which is environmentally sensitive. The Bank's

prior written approval shall be required as to the location of any improvements on the Property by a sublessee to the extent the same differs from the Ground Lessee's proposed subtenant locations attached as Exhibit H hereto and the Bank shall not be required to consent to more than two such subleases of the Property in effect at any one time. This provision is material inducement for the Bank extending the Loan to the Borrower.

6.9 ENCUMBRANCES. Except for the Fee Mortgage, the Ground Lease and the Assignment, the Borrower shall not permit the Property, the Ground Lease or the Ground Lease Rents to be subject to any liens, charge, encumbrance or other security interest without the prior written consent of the Bank; provided that the foregoing restrictions shall not apply to (i) liens for taxes, assessments or other governmental charges or levies if the same shall not at the time be delinquent; (ii) liens arising out of pledges or deposits under workman's compensation laws, unemployment insurance, old age pensions, or social security or retirement benefits or similar legislation; (iii) liens of contractors, mechanics, materialmen, carriers, landlords and other similar common law or statutory liens arising in the ordinary course of business; (iv) mortgages to finance construction of improvements as described on Exhibit C to this Agreement; and (v) sublease financing consented to by the Bank.

6.10 CONTINUING SPECIAL PURPOSE ENTITY REPRESENTATIONS. The Borrower shall take or refrain from taking, as the case may be, all such actions as may be necessary so that the representations of the Borrower in Section 5.10 hereof shall continue to be true and correct for the period specified therein.

6.11 CERTAIN PROCEEDS. Subject to the rights of sublessees and subleasehold financings which have been approved by the Bank, the Borrower shall, if required by the Bank, pay to the Bank, to be applied by the Bank to prepay the Loan: (x) any condemnation award on the

Property used for Ground Lessee's purposes with respect to (i) 25% or more of such portion of the Property or (ii) less than 25% of such portion of the Property, unless the Ground Lessee shall demonstrate to the reasonable satisfaction of the Bank that the Ground Lessee's use of the remaining Property for Ground Lessee's intended use remains financially viable; (y) any casualty insurance proceeds from destruction of 25% or more of the Ground Lessee's Property improvements; and (z) any purchase price proceeds from the Ground Lessee's exercise of its purchase option pursuant to Section 46 of the Ground Lease (such payment in any case not to exceed the amounts due and payable hereunder).

6.12 ESCROW. The Borrower will take such action as on its part may be required to maintain the Escrow Instructions in effect and to perform its obligations thereunder.

#### 7. Conditions of Loan Advance.

The obligation of the Bank to advance the Loan is subject to the Bank's prior receipt, in form and substance satisfactory to the Bank, of the following:

(a) Due execution and delivery by the appropriate parties thereto of the Agreement, the Note, the Ground Lease, the Guaranty, the Escrow Instructions, the Environmental Indemnity, the Security and the Inducement Letter.

(b) Evidence of the authority of the persons executing this Agreement, the Note, the Ground Lease, the Guaranty, the Escrow Instructions, the Environmental Indemnity, the Security, the Inducement Certificate and the other documents contemplated herein and therein, together with specimen signatures of such persons.

(c) A certified copy of the constituent documents, each as amended to date, and a certificate of good standing issued by the Secretary of State of the jurisdiction of organization, for each of the Borrower, the Ground Lessee and the Guarantor.

(d) Certified copies of all necessary resolutions of the Members or Boards of Directors and stockholders, as the case may be, of each of the Borrower, the Ground Lessee and the Guarantor, as the case may be, approving the terms of this Agreement, the Ground Lease, the Guaranty and the other Security and the transactions contemplated by this Agreement.

(e) A duly completed Notice of Borrowing substantially in the form of Exhibit F from an authorized officer of the Borrower.

(f) The Security shall have been executed and delivered and all filings or recordings necessary or desirable in connection therewith shall have been made.

(g) Such opinions of counsel to the Borrower, the Ground Lessee and the Guarantor as the Bank may request.

(h) Such evidence as the Bank may require of the Bank's first priority security interest in the Property, the Ground Lease and rents under the Ground Lease, and the Guaranty, in each case subject to no prior liens or encumbrances other than those set forth on Exhibit C annexed hereto.

(i) The Bank's receipt of a current survey of the Property showing only encroachments and easements as are satisfactory to the Bank.

(j) The Bank's receipt of an Environmental Indemnity Agreement from Borrower to the Bank, which shall (a) be prepared by the Bank's legal counsel, (b) be in form and substance satisfactory to the Bank and its legal counsel, (c) be non-recourse to Borrower and its stockholders, directors, officers and affiliates and (d) provide that any claim thereunder must be

brought within one year after (i) repayment in full of the Loan or (ii) the Bank's sale of the Property after obtaining title thereto.

(k) The Bank's receipt of a policy of mortgagee title insurance from First American Title Insurance Company of New York, Inc. showing marketable title in Borrower and insuring the Fee Mortgage as a first lien and the Ground Lease as a second lien on the Property, with endorsements (if available) as to (i) the non-recharacterization of the Ground Lease or the Loan Documents, and (ii) excluding any creditors' rights exceptions.

(l) Payment of the fees and expenses of the Bank's legal counsel with respect to negotiation and documentation of this Agreement and the transactions contemplated hereunder.

(m) Such other consents, approvals, instruments, documents and further assurances relating to this Agreement and the Security as the Bank may require.

The conditions set forth in this Section 7 are inserted for the sole benefit of the Bank and may be waived by the Bank, in whole or in part (with or without terms or conditions to such waiver).

## 8. Security.

8.1 DELIVERY OF SECURITY. The Borrower, the Ground Lessee and the Guarantor, as the case may be, shall execute and deliver, or cause to be executed and delivered, to the Bank the following:

- (a) the Fee Mortgage;
- (b) the Ground Lease;
- (c) the Guaranty; and
- (d) the Assignment;



as continuing collateral security for the performance by the Borrower of all of its obligations hereunder (the "Security").

8.2 REGISTRATION. The Borrower shall, at its expense, register, file or record the Security in all offices where such registration, filing or recording is necessary or of advantage to the creation, perfection and preserving of the Security applicable to it including, without limitation, any land registry offices; provided, however, that the foregoing obligation of the Borrower shall only apply whenever the Borrower is requested to do so by the Bank. The Borrower shall renew such registrations, filings and recordings from time to time as and when required to keep them in full force and effect whenever the Borrower is requested to do so by the Bank. The forms of the Mortgage and the Assignment and statements have been prepared, and where appropriate registered and filed, based upon the laws of New Jersey applicable thereto in effect at the date hereof, and the parties hereto acknowledge that such laws may change. The Bank shall have the right to require that any such forms be amended and/or re-filed to reflect any changes in such laws, whether arising as a result of statutory amendments, court decisions or otherwise, in order to confer upon the Bank the security interests intended to be created thereby, except that in no event shall the Bank require that any such amendment be effected if the result thereof would be to grant the Bank greater rights than is otherwise contemplated herein, impose on the Borrower materially greater obligations than imposed hereunder, or deprive the Borrower of any material rights hereunder.

8.3 AFTER-ACQUIRED PROPERTY AND FURTHER ASSURANCES. The Borrower shall from time to time execute and deliver all such further deeds or other instruments of conveyance, assignment, transfer, mortgage, pledge or charge in connection with all assets acquired by the Borrower after the date hereof and intended to be subject to the security interests created hereby

including any insurance thereon; provided, however, that the foregoing obligation of the Borrower shall only apply whenever the Borrower is requested to do so by the Bank.

#### 9. Events of Default.

9.1 EVENTS OF DEFAULT. Each of the following events and occurrences shall constitute an Event of Default under this Agreement:

(a) the Borrower fails to make payment (i) with respect to interest or principal, within five (5) days of the due date thereof, or (ii) with respect to any other amount the Borrower is obligated to pay under this Agreement, within ten (10) days after a request for payment therefor by the Bank, or (iii) the Borrower or the Ground Lessee fails to make payment when the same is due and payable (subject to any applicable grace periods thereunder) of any amount that the Borrower or the Ground Lessee, as the case may be, is obliged to pay under the Escrow Instructions or the Security;

(b) any representation or warranty made by the Borrower herein or with regard hereto (including the Security), by the Ground Lessee in or with regard to the Ground Lease, or by the Guarantor in or with regard to the Guaranty, in any way shall have been incorrect or misleading in any material respect when made or confirmed, or any certificate or opinion of any thereof or its counsel furnished hereunder proves to have been false or misleading as of its date in any material respect, and the facts giving rise to such misrepresentation or breach of warranty remain uncorrected thirty (30) days after notice thereof from the Bank to the Borrower;

(c) failure to perform or violation of any provision of this Agreement (other than paragraphs (a), (j), (k) or (l) of this Section 9.1) or the Security, by the Borrower, the Ground Lessee or the Guarantor, as the case may be, which failure or violation is not remediable or, if

remediable, continues unremedied for a period of thirty (30) days after notice thereof from the Bank to the Borrower, the Ground Lessee or the Guarantor, as the case may be (unless such failure or violation cannot by its nature reasonably be remedied within such thirty (30) day period, in which case no Event of Default shall occur so long as the Borrower, the Ground Lessee or the Guarantor, as the case may be, promptly commences to remedy the same within such thirty (30) day period and diligently and continuously prosecutes the same to completion);

(d) an Event of Default or default shall occur and be continuing under the Security, or (subject to any applicable grace or cure period stipulated therein) any other agreement, document or instrument executed and delivered to the Bank by the Borrower, the Ground Lessee, or the Guarantor relating to any of its obligations under any of the Loan Documents;

(e) any of the Security ceases to be in full force and effect;

(f) termination of Ground Lease, the occurrence of an Event of Default under the Ground Lease or the assignment of the Ground Lease to any party not acceptable to the Bank acting in its sole discretion, or if the Ground Lessee or another entity related to the Ground Lessee acceptable to the Bank is not the lessee in occupancy under the Ground Lease of the portion of the Property identified on Exhibit H hereto to be occupied by the Ground Lessee;

(g) any governmental registration or approval granted or required in connection with this Agreement or that materially affects the Security is terminated or revoked or modified in any manner unacceptable to the Bank;

(h) the Borrower, the Ground Lessee or the Guarantor fails to pay any principal or interest due (subject to any applicable grace or cure period stipulated therein) in respect of indebtedness for borrowed money under any other agreement or document evidencing, securing,

guaranteeing or otherwise relating to thereto (unless the same is subject to any bona fide contest of liability therefore), [or there occurs any other event of default or other event that, with the giving of notice or the passing of time (subject to any applicable grace or cure period stipulated therein), or both, would constitute an event of default on its part under any such agreement];

(i) any judgment or decree for money damages or for a fine or penalty in excess of USD 100,000 (or its equivalent in other currency) or an attachment or levy on any of the property of the Borrower, the Ground Lessee or the Guarantor in excess of USD 100,000 (or its equivalent in any other currency) is entered against any thereof and is not paid, discharged, bonded or stayed within thirty (30) days after knowledge such obligor of the existence of such judgment, decree, attachment or levy;

(j) the Borrower, the Ground Lessee or the Guarantor (i) becomes insolvent or unable to pay its debts when due, (ii) commits any act of bankruptcy, including filing a petition in any bankruptcy, reorganization, winding-up or liquidation proceeding, (iii) fails to have any such petition filed by any other party discharged within thirty (30) days, (iv) makes an assignment for the benefit of creditors, or (v) admits in writing its inability to pay its debts;

(k) the Borrower, the Ground Lessee or the Guarantor institutes any proceeding for its dissolution or termination;

(l) a moratorium shall be agreed or declared in respect of any indebtedness of the Borrower, the Ground Lessee or the Guarantor in excess of USD \$100,000;

(m) any governmental authority or agency shall have seized, compulsorily purchased or appropriated all or a substantial part of the assets of the Borrower (other than the Property), the Ground Lessee or the Guarantor, unless such seizure, purchase or appropriation is contested in good faith by the Borrower, the Ground Lessee or the Guarantor, as the case may be,

and the Borrower, the Ground Lessee or the Guarantor, as the case may be, has entered into alternative security arrangements with the Bank which are satisfactory to the Bank, in its sole discretion;

(n) it becomes unlawful for the Borrower, the Ground Lessee or the Guarantor to perform any material obligation hereunder or under any other document executed in connection herewith;

(o) the Mortgage or the Assignment shall cease to be a valid and perfected first priority security interest as against third parties;

(p) the Property shall not be zoned for the usage presently contemplated by the Ground Lessee (as hereinabove specified) or if as the result of a condemnation or a casualty affecting 25% or more of the Property as utilized, or contemplated to be utilized, by Ground Lessee, such usage of the Property is no longer financially viable;

(q) the Guarantor shall disaffirm the Guaranty or the Ground Lessee shall seek to terminate the Ground Lease; or

(r) any event occurs with respect to the Borrower, the Ground Lessee or the Guarantor that, in the reasonable opinion of the Bank, materially and adversely affects such entity's condition, financial or otherwise, or its ability to perform fully and punctually its obligations hereunder and under the Security and any other document contemplated hereby or thereby.

9.2 CONSEQUENCE OF DEFAULT. If an Event of Default shall occur, the Bank may, by notice to the Borrower, declare the entire Loan together with accrued interest and any other sum payable hereunder to be immediately due and payable and the same shall thereupon become due and payable without presentment, demand, protest or notice of any kind, other than the notice

specifically required by this Section 9.2, all of which are expressly waived by the Borrower. The Borrower shall also pay to the Bank default interest at the rate specified in Section 2.4(b), as well as any costs and expenses relating to an Event of Default, including the fees and expenses of counsel. If an Event of Default, or an event that with the giving of notice or the passing of time, or both, would constitute an Event of Default shall occur, the Bank shall have no further obligation to lend hereunder. No waiver of any Event of Default shall constitute a waiver of any other or any succeeding Event of Default or of the continuance of the Event of Default so waived except in accordance with the terms of such waiver. Upon an Event of Default, the Borrower shall have the option either (i) to repay all amounts due on the Loan or (ii) to deliver to the Bank a deed in lieu of foreclosure of the Property, in which case Borrower shall not challenge or raise any defenses to such deed in lieu (and shall prohibit Ground Lessee from so doing), nor shall Borrower challenge or raise any objections to the Bank's remedies under the Loan Documents.

9.3 REMEDIES CUMULATIVE AND WAIVERS. For greater certainty, it is expressly understood and agreed that the rights and remedies of the Bank hereunder or under the Security or any instrument executed pursuant to this Agreement are cumulative and are in addition to and not in substitution for any rights or remedies provided by law or by equity; and any single or partial exercise by the Bank of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in this Agreement or other document or instrument executed pursuant to this Agreement shall not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies to which the Bank may be lawfully entitled for such default or breach. Any waiver by the Bank of the strict observance, performance or compliance with any term, covenant, condition or other matter contained herein and any indulgence granted, either expressly or by course of conduct, by the Bank shall be effective only

in the specific instance and for the purpose for which it was given and shall be deemed not to be a waiver of any rights and remedies of the Bank under this Agreement as a result of any other default or breach hereunder or thereunder.

9.4 LIMITED RECOURSE OBLIGATION. Notwithstanding any other provisions hereof, the Borrower shall have no personal liability to the Bank in respect of the Loan and the Bank's remedies shall be limited to the Security, except in the case of any claim arising out of any of the following actions of the Borrower: (i) fraud or intentional misrepresentation by the Borrower or any of its Affiliates in connection with the execution and delivery of the Note or other Loan Documents; (ii) misapplication of security deposits under the Ground Lease; (iii) collection of Rents (as such term is defined in the Assignment) under the Ground Lease more than one month in advance; (iv) misapplication of casualty insurance proceeds or condemnation awards or Purchase Option sale proceeds under the Ground Lease; (v) indemnification pursuant to the Environmental Indemnity; and (vi) any breach of Sections 5.10 or 6.11 hereof.

#### 10. Miscellaneous

10.1 USD TRANSACTION. This is an international loan transaction in which the specification of USD and payment in New York, New York are of the essence, and USD shall be the currency of account and of payment in all events. The payment obligation hereunder shall not be discharged by an amount paid in another currency or in another place, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on prompt conversion to USD and transfer to New York, New York under normal banking procedures does not yield the amount of USD in New York, New York due hereunder. In the event that any payment, whether pursuant to a judgment or otherwise, upon conversion and transfer does not result in payment of such

amount of USD in New York, New York, the Bank shall be entitled to immediate payment of, and shall have a separate cause of action for, the USD deficiency.

10.2 ENTIRE AGREEMENT. This Agreement and the documents referred to herein constitute the entire obligation of the parties hereto with respect to the subject matter hereof and shall supersede any prior expressions of intent or understandings with respect to this transaction.

10.3 WAIVER, CUMULATIVE RIGHTS. The failure or delay of the Bank to require performance by the Borrower of any provision of this Agreement shall not affect its right to require performance of such provision unless and until such performance has been waived by the Bank in writing. Each and every right granted to the Bank hereunder or under any other document or instrument delivered hereunder or in connection herewith, or allowed at law or in equity, shall be cumulative and may be exercised from time to time.

10.4 BINDING EFFECT. This agreement shall be binding upon and shall be enforceable by Borrower and the Bank and their respective successors and assigns, except that the Borrower shall have no right to assign its obligations hereunder.

10.5 GOVERNING LAW. This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York, without reference to principles of conflict of laws.

10.6 SUBMISSION TO JURISDICTION.

(a) The Borrower hereby irrevocably consents that any legal action or proceedings against it or any of its property with respect to this Agreement, the Escrow Instructions or the Security may be brought in any court of the State of New York or any Federal Court of the United States of America located in the City and State of New York, United States of America, or both, as the Bank may elect, and by execution and delivery of this Agreement the Borrower



hereby submits to an accepts with regard to any such action or proceeding, for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. The Borrower further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Borrower at its address set forth in Section 10.7. The foregoing, however, shall not limit the rights of the Bank to serve process in any other manner permitted by law or to bring any legal action or proceeding or to obtain execution of judgment in any jurisdiction.

(b) THE BORROWER HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE SECURITY IN THE STATE OF NEW YORK. THE BORROWER HEREBY FURTHER IRREVOCABLY WAIVES ANY RIGHT THE BORROWER MAY NOW OR HEREAFTER HAVE TO A TRIAL BY JURY. THE BORROWER HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT THE STATE OF NEW YORK IS NOT A CONVENIENT FORUM FOR ANY SUCH SUIT, ACTION OR PROCEEDING.

10.7 NOTICES. Any notice hereunder shall be in writing and shall be personally delivered, transmitted by postage prepaid registered or certified mail, or by facsimile, to the parties as follows:

To the Borrower: ALX of Paramus LLC  
c/o Alexander's Inc.  
210 Route 4 East  
Paramus, NJ 07652  
Attn: Chief Financial Officer  
Facsimile No.: (201) 587-6210

ALX of Paramus LLC  
c/o Alexander's Inc.  
210 Route 4 East  
Paramus, NJ 07652  
Attn: Vice President-Real Estate  
Facsimile No.: (201) 587-6207

With a copy (for  
information purposes  
only) to:

Winston & Strawn  
200 Park Avenue  
New York, NY 10166-4193  
Attn: Neil Underberg, Esq.  
Facsimile No.: (212) 294-4700

To the Bank:

Svenska Handelsbanken AB (publ)  
153 East 53rd Street, 37th Floor  
New York, New York 10022  
Attn: Corporate Banking Department  
Facsimile No.: (212) 326-5110

With a copy (for  
information purposes  
only) to:

Sussman SOLLIS Ebin Tweedy & Wood, LLP  
767 Fifth Avenue, 8th Floor  
New York, NY 10153-0898  
Attn: Robert F. Ebin, Esq.  
Facsimile No.: (212) 688-8386

Copies of such notices, for informational purposes only, shall be transmitted by mail to counsel to the parties, as the parties may from time to time designate. All notices and other communications shall be deemed to have been duly given on the date of receipt if delivered personally; on the date five days after posting if transmitted by mail; or in the case of a facsimile, at the time sent; provided that any notice to be given to the Bank shall be effective only when actually received by the Bank. Either party may change its address for purposes hereof by notice to the other.

10.8 SEVERABILITY. If any one or more of the provisions contained in this Agreement or any document executed in connection herewith shall be invalid, illegal or unenforceable in any respect under any applicable law, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired. Anything in this Agreement to the contrary notwithstanding, the obligation of the Borrower to pay interest on the Loan and the Note shall be subject to the limitation that no payment of such interest shall be required to the extent that receipt of such payment would be contrary to applicable usury laws.

10.9 COUNTERPARTS. This Agreement may be signed in any number of counterparts. Any single counterpart or a set of counterparts signed, in either case, by all the parties hereto shall constitute a full and original agreement for all purposes.

10.10 TIME OF ESSENCE. Time shall be of the essence of this Agreement with respect to payments required hereunder.

10.11 FURTHER ASSURANCES. Each party hereto will promptly and duly execute and deliver such further documents to make such further assurances for and take such further action reasonably requested by any party to whom such first party is obligated, all as may be reasonably necessary to carry out more effectively the intent and purpose of this Agreement and the other Loan Documents.

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

ALX OF PARAMUS LLC

ATTEST:

By: /s/ Joseph Macnow  
-----  
Name: Joseph Macnow  
-----  
Title: Executive Vice President  
-----  
Finance and Administration  
-----

By: /s/ Patrick Hogan  
-----  
Name Patrick Hogan  
Title: Vice President

SVENSKA HANDELSBANKEN AB (publ)  
NEW YORK BRANCH

By: /s/ Jonas Daun  
-----  
Name: Jonas Daun  
-----  
Title: Senior Vice President  
-----

By: /s/ Mark Cleary  
-----  
Name: Mark Cleary  
-----  
Title: Senior Vice President  
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ASSIGNMENT OF LEASES AND RENTS

THIS ASSIGNMENT OF LEASES AND RENTS (hereinafter this "ASSIGNMENT") is made as of October 2, 2001 by ALX OF PARAMUS LLC, a Delaware limited liability company, with a mailing address of 210 Route 4 East, Paramus, New Jersey 07652, Attention: Vice President - Real Estate ("ASSIGNOR"), to SVENSKA HANDELSBANKEN AB (PUBL), having an office at 153 East 53rd Street, 37th Floor, New York, New York 10022, Attention: Corporate Banking Department ("ASSIGNEE").

W I T N E S S E T H:

WHEREAS, the Assignee is about to make the Loan (hereinafter defined) to the Assignor, to be evidenced by the Note (hereinafter defined) and secured by the Mortgage (hereinafter defined), and which Mortgage is now a first lien on the Premises (hereinafter defined); and

WHEREAS, the Assignor is the landlord under the Ground Lease (hereinafter defined), and the Assignee will not lend the Mortgage Amount (hereinafter defined) unless the Assignor assigns all of the Assignor's right, title and interest in and to the Ground Lease, the Guaranty (hereinafter defined), the Rent (hereinafter defined) and all other Leases (hereinafter defined) to the Assignee as additional security for the Loan in accordance with the terms of this Assignment;

NOW, THEREFORE, the Assignor, in consideration of the premises and in order to further secure the Mortgage Amount, all interest due thereon, and all other costs and expenses due under the Mortgage and hereunder, hereby agrees as follows:

1. DEFINITIONS.

(a) Assignor and Assignee hereby agree that unless the context otherwise specifies or requires, the following terms shall have the meanings herein specified, such definitions to be applicable equally to the singular and the plural forms of such terms:

"ASSIGNMENT" means this Assignment of Leases and Rents.

"DEFAULT" means the events and circumstances described as such in Article IV of the Mortgage, including the expiration of any notice or cure period applicable thereto under the Mortgage, the Loan Agreement or this Assignment.

"ESCROW AGENT" means the escrow agent designated by Assignee as such pursuant to the Escrow Agreement.

"ESCROW AGREEMENT" means that certain escrow agreement between and among the Assignor, the Ground Lessee, the Assignee and the Escrow Agent dated as of the date hereof.

"GOVERNMENTAL AUTHORITY" means any nation or government, any local, municipal, county, state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any court or arbitrator.

"GROUND LEASE" means that certain lease of the Premises dated as of October 4, 2001, between Assignor, as landlord and Ground Lessee, as tenant.

"GROUND LESSEE" means IKEA Property, Inc., a Delaware corporation, which is the tenant under the Ground Lease.

"GUARANTOR" means IKEA Holding US, Inc., a Delaware corporation.

"GUARANTY" means that certain guaranty and agreement dated as of October 4, 2001, made by the Guarantor in favor of Assignor and Assignee.

"IMPROVEMENTS" means all buildings, structures and other improvements presently existing or hereafter constructed on the land described in Exhibit A attached hereto.

"LEASE" means any lease, sublease, license or other agreement, now or hereafter existing, to which Assignor is a party or to which Assignor succeeds as landlord and under the terms of which any person other than Assignor has or acquires any right to occupancy or use of the Mortgaged Property, or any part thereof, or interest therein, including without limitation (i) the Ground Lease, together with any and all extensions, renewals, modifications and replacements thereof, (ii) all guarantees of the Lessees' obligations thereunder, and (iii) that certain letter from Ground Lessee to Assignor dated as of October 4, 2001 concerning recommendations made by Ground Lessee's environmental consultant.

"LESSEE" means the lessee, sublessee, licensee, tenant or other person having the right to occupy or use all or any part of the Mortgaged Property under a Lease.

"LIABILITIES" means all indebtedness, obligations and liabilities of Assignor arising under the Note, the Mortgage, and any renewals, extensions, amendments or modifications thereof, or any other Loan Document and any and all fees, costs or expenses incurred by Assignee, including, but not limited to, taxes, recording expenses and attorneys' fees in connection with the closing of the Loan and the consummation thereof, and after Default, the administration and collection thereof, all costs incurred of whatever nature by Assignee in the

exercise of any rights hereunder or any Loan Document and all other amounts payable by Assignor under the Note and the Mortgage.

"LOAN" means the \$68,000,000.00 loan from Assignee to Assignor as evidenced by the Note, and secured by the Mortgage.

"LOAN AGREEMENT" means that certain loan agreement dated as of the date hereof between Assignor, as borrower and Assignee, as lender.

"LOAN DOCUMENTS" means, collectively, the Loan Agreement, the Note, the Mortgage, this Assignment and any other document executed or delivered by or on behalf of Assignor in connection with the Loan.

"MORTGAGE" means that certain Mortgage, Security Agreement and Fixture Financing Statement dated as of the date hereof in the Mortgage Amount made by Assignor to Assignee.

"MORTGAGE AMOUNT" means the principal sum of \$68,000,000.00.

"NOTE" means that certain limited recourse promissory note dated as of the date hereof in the Mortgage Amount made by Assignor to Assignee, together with all renewals, amendments, supplements, restatements, extensions and modifications thereof and thereto.

"PERSON" means an individual, a partnership, a corporation, a business trust, a joint stock company, a trust, an unincorporated association, a joint venture, a Governmental Authority or any other entity of whatever nature.

"PREMISES" means the land located in the Borough of Paramus, County of Bergen, and State of New Jersey, being designated on the Borough of Paramus Tax Map as Block 1202, Lot 1 and Block 1101, Lot 3, and being more particularly described in Exhibit A annexed hereto, together with the Improvements thereon and hereafter constructed thereon or therein, and all of the easements, rights, privileges and appurtenances thereunto belonging or in anyway appertaining thereto including, but not limited to, all of the estate, right, title, interest, claim or demand whatsoever of Assignor therein and in and to the strips and gores, streets and ways adjacent thereto, whether in law or in equity, in possession or expectancy, now or hereafter acquired and also any other realty or personalty encompassed by the term "Mortgaged Property" as defined in the Mortgage.

"RECORDING OFFICE" means the public recording office in which the Mortgage must be recorded in the County where the Premises is located in order to obtain a mortgage lien on the Mortgaged Property.

"RENT" means the fixed rents, additional rents and other consideration payable to or for the account or benefit of Assignor by the Lessee under the terms of a Lease,

including but not limited to the proceeds of the Purchase Option granted to Ground Lessee in Section 46 of the Ground Lease.

(b) Except as expressly defined herein, terms used herein that are defined in the Mortgage shall have the same meaning herein as therein.

2. ASSIGNMENT. The Assignor, as additional security for the payment of the Mortgage Amount and interest provided in the Mortgage and to secure the performance of each and every obligation contained in the Note and Mortgage, hereby assigns to the Assignee all the right, title and interest of the Assignor presently held or hereafter acquired in and to the Leases including but not limited to the Ground Lease and any subleases thereof, and the Rent due, or to become due, thereunder together with (a) all security deposits, issues, profits, revenues, receipts, income, accounts and other receivables (including without limitation lease termination fees, purchase option fees and expenses payable under any Lease) and income thereunder and all of the other benefits thereunder; (b) any guaranties of the Leases or any of them including but not limited to the Guaranty; (c) all of Assignor's right, power or authority (i) to alter or modify the Leases; (ii) to exercise or to refrain from exercising any option or election at any time available to the Assignor under the Leases; and (iii) to collect the Rent, either with or without entry upon the Premises, the proceeds of any such collection to be applied as set forth in the Mortgage; and (d) all of Assignor's right, power or authority to exercise any other rights and remedies of the Assignor under the Leases. This Assignment confers upon Assignee a power coupled with an interest and it cannot be revoked by Assignor. The Assignee, by its acceptance of this Assignment, grants a license to Assignor to collect the Rent, subject to the terms of paragraph 3(a) of this Assignment and subject further to the terms and conditions of the Escrow Agreement.

### 3. DEFAULT AND REMEDIES OF ASSIGNEE.

(a) If a Default occurs, and until such Default shall have been fully cured, the license of the Assignor to collect the Rent will cease and terminate, and thereupon, the Assignee is hereby authorized at its option to enter and take possession of all or any part of the Mortgaged Property, and to perform all acts necessary for the operation and maintenance of the Mortgaged Property in the same manner and to the same extent that the Assignor might reasonably so act. In furtherance of such rights, the Assignee is hereby authorized by the Assignor, but is under no obligation, to collect the Rent and to enforce the performance of any or all terms of any Lease, as the Assignee may elect, including but not limited to: (i) all rights granted to the Assignee as specified in paragraph 2 above; (ii) the right to let and relet the Premises or any part thereof; (iii) the right to sue for possession of the Premises or any part thereof; and (iv) the right to assign the Assignor's right, title and interest in the Leases, the Rents and the Mortgaged Property to any Person acquiring the Mortgaged Property or any part thereof through foreclosure or otherwise. Such assignee shall not be liable to account to the Assignor for the Rents thereafter accruing.

(b) Upon the occurrence of a Default, Assignee may, but shall not be obliged to do so, (i) perform or discharge any obligation of the Assignor under the Leases (or this



Assignment), and may defend any action or proceeding which may affect the Assignee's rights, the Assignee to have reimbursement, as an addition to the Liabilities, on demand for any sums so expended; and (ii) exercise any rights and remedies of the Assignor under the Leases (without taking or asserting the right to take possession of the Premises, or any part thereof, and without collecting or asserting the right to collect the Rents), including without limitation enforcement of the indemnities, covenants and other provisions of the Ground Lease and the Guaranty.

(c) Assignee shall be entitled to elect in writing to accelerate the maturity of the Note if (i) Assignor fails to make payment when the same is due and payable of any amount that the Assignor is obliged to pay under this Assignment, or (ii) Assignor fails to perform or violates any provision of this Assignment which failure or violation is not remediable or if remediable, continues unremedied for a period of thirty (30) days after notice thereof from the Assignee to the Assignor (unless such failure or violation cannot by its nature reasonably be remediated within such thirty (30) day period, in which case no default shall occur so long as the Assignor promptly commences to remediate the same within such thirty (30) day period and diligently and continuously prosecutes the same to completion).

4. REPRESENTATIONS AND WARRANTIES. The Assignor represents and warrants to the Assignee that:

(a) the only Lease executed by Assignor as landlord and now in existence is the Ground Lease;

(b) the Ground Lease is valid, in full force and effect according to its terms, is not in default, and has not been changed, supplemented, modified or amended;

(c) the Assignor is the absolute owner of the Ground Lease and the Rent due, or to become due, thereunder, having full right and authority to assign the Ground Lease and Rent thereof to the Assignee;

(d) the Assignor is not in default under the terms of the Ground Lease;

(e) the Lessee under the Ground Lease has the right to possession and control of all of the Premises leased to it under the Ground Lease (except as otherwise set forth in such Lessee's estoppel certificate attached hereto), and such Lessee is paying Rent in accordance with the terms of the Ground Lease;

(f) no Rent has been, or will hereafter be, anticipated, discounted, released, waived, compromised, or otherwise discharged, except as may be expressly permitted by the prior written consent of the Assignee;

(g) the Lessee under the Ground Lease has no defense, setoff or counterclaim against the Assignor;

(h) the Assignor has not executed any other assignment of the subject matter of this Assignment;

(i) no commission or other compensation is due any real estate broker or salesperson in connection with the Ground Lease;

(j) the Lessee under the Ground Lease has not paid Assignor, and Assignor does not presently hold, any security deposit under the Ground Lease;

(k) the Ground Lease, and the Lessee's rights thereunder, are subject and subordinate to the lien of the Mortgage and to all renewals, modifications, consolidations, replacements and extensions thereof;

(l) the Assignor is not required to perform any work or improvements under the Ground Lease; and

(m) the Guaranty is valid, in full force and effect according to its terms, is not in default, and has not been changed, supplemented, modified or amended; the Assignor has full right and authority to assign the Guaranty to the Assignee; the Guarantor has no defense, set off or counterclaim against Assignor with respect to the Guaranty.

5. COVENANTS. The Assignor hereby covenants and agrees:

(a) upon demand by Assignee, to assign to Assignee, by separate instrument in form and substance satisfactory to Assignee, any and all Leases, and/or all Rent payable thereunder, including, but not limited to, the Ground Lease or any Lease which may be executed after the date hereof;

(b) not to accept from any Lessee, nor permit any Lessee to pay, Rent for more than one month in advance except for payment in the nature of security for performance of Lessee's obligations;

(c) to comply with the terms and provisions of each Lease including, without limitation, the payment of all sums required to be paid by Assignor or which Assignor has an option to pay under any Lease in order to prevent any reduction in or offset against any Rent payable under any Lease or any default thereunder;

(d) not to amend, extend, cancel, abridge, or otherwise modify, or accept surrender of, or renew, any Lease without the written consent of Assignee;

(e) not to assign, transfer, pledge, subordinate or mortgage any Lease without the written consent of Assignee;

(f) not to assign, transfer, pledge, subordinate or mortgage any Rent;

(g) not to waive, excuse, release or condone any nonperformance of any covenant of any Lease by any Lessee;

(h) to give to Assignee a duplicate notice of each default by each Lessee;

(i) to cause each Lessee to agree (and each Lessee under each Lease executed after the date hereof does so agree) to give to Assignee written notice of each and every default by Assignor under such Lessee's Lease and not exercise any remedies under such Lease unless Assignee fails to cure such default within a reasonable period after Assignee has received such notice, provided that Assignee shall never have any obligation or duty to cure any such default;

(j) to enforce its rights with regard to all Leases;

(k) not to enter into any lease, letting or license arrangement affecting the Mortgaged Property or any part thereof without the prior written approval of Assignee;

(l) to hold in a separate account, and apply, all security deposits paid to Assignor in accordance with the Leases;

(m) not to consent to any sublease by Ground Lessee of the Premises or any part thereof, or any other lease, letting or license arrangement affecting any portion of the Mortgaged Property, without the prior written approval of Assignee, which approval Assignee shall be entitled to withhold in Assignee's absolute discretion if any such sublease is not a Qualified Sublease (as defined in the Loan Agreement); and

(n) if any tenant under any Lease is or becomes the subject of any proceeding under the Federal Bankruptcy Code, as amended from time to time, or any other federal, state or local statute which provides for the possible termination or rejection of any Lease assigned hereby, Assignor covenants and agrees that if any such Lease is so terminated or rejected, no settlement for damages shall be made without the prior written consent of Assignee, which consent shall not be unreasonably withheld, provided, however, Assignee's consent may be withheld in Assignee's sole discretion in the event a Default has occurred or if an event has occurred which with the giving of notice or the passage of time or both would constitute a Default. Any check in payment of damages for termination or rejection of any such Lease will be made payable both to Assignor and Assignee. Assignor hereby assigns any such payment to Assignee and further covenants and agrees that upon the request of Assignee, Assignor will duly endorse to the order of Assignee any such check, the proceeds of which shall be applied in accordance with SECTION 4.08 of the Mortgage.

6. ASSIGNEE NOT RESPONSIBLE. This Assignment shall not operate to place responsibility for the control, care, management or repair of the Premises upon the Assignee, nor for the carrying out of any of the terms and conditions of the Leases; nor shall it operate to make the Assignee responsible or liable for any waste committed on the Premises by the Lessees or anyone else, or for any dangerous or defective condition of the Premises, or for any negligence in the management, upkeep, repair or control of the Premises resulting in loss or injury or death to any Lessee, licensee, employee or stranger.

7. ASSIGNEE AS CREDITOR OF LESSEES. Assignee, and not the Assignor, will be the creditor of any Lessee in respect of assignments for the benefit of creditors and bankruptcy, reorganization, insolvency, dissolution, or receivership proceedings affecting any such Lessee. However, Assignor, and not the Assignee, shall be the party obligated to make timely filing of claims in such proceedings and to pursue creditor's rights therein. The Assignee shall have the right to apply any monies received by it as such creditor in reduction of the unpaid principal, interest and any other amounts due under the Note.

8. VIOLATIONS OF THIS ASSIGNMENT. Any act done or attempted in violation of any covenant or agreement of the Assignor under this Assignment shall be wholly void as against the Assignee.

9. LEASE GUARANTIES ETC. Assignor will not without the prior written consent of the Assignee, alter, modify, cancel, or terminate any guaranties of any Lease, including but not limited to the Guaranty, nor agree to any subordination of any Lease, nor permit any material alteration of or addition to the Premises by any Lessee without obtaining Assignee's prior written consent.

10. NECESSARY INSTRUMENTS. Assignor will execute and deliver to the Assignee, and Assignor hereby appoints the Assignee as the Assignor's attorney-in-fact to execute and deliver during the term of this Assignment, all further instruments as Assignee may deem necessary to make this assignment and any further assignment of the Leases and Rents effective.

11. CHANGES IN MORTGAGE. Notwithstanding any change or variation in the terms of the Mortgage or the Liabilities, including any increase or decrease in the Mortgage Amount or in the interest rate, or any release of part or parts of the Premises from the lien of the Mortgage, this Assignment shall continue in full force and effect in accordance with its terms as additional security for the Assignee's benefit.

12. OTHER SECURITY. Assignee may take security in addition to the security already given the Assignee for the payment and/or performance of the Liabilities, or release any security so taken, and may release any Person primarily or otherwise liable for the Liabilities or any part thereof, may grant or make extensions, renewals, modifications or indulgences with respect to the Liabilities or the Mortgage or any replacements thereof, which replacement of the Liabilities or Mortgage may be on the same or different terms than the present terms thereof, and may apply any security held by it to the satisfaction of the Liabilities, without prejudice to any of its rights hereunder.

13. ADDITIONAL LEASES. Assignor will give the Assignee prompt notice of any lease entered into between the Lessee under the Ground Lease and any Person for space at the Premises.

14. EXERCISE OF ASSIGNEE'S RIGHTS. Assignee's failure to exercise any of its rights under this Assignment for any period of time, or at any time or times, will not constitute a waiver thereof. Assignee's rights and remedies hereunder are cumulative, and not in lieu of, but

in addition to, any other rights and remedies Assignee has under the Mortgage or under any other Loan Document, and may be exercised by Assignee in its sole and absolute judgment and discretion.

15. AMENDMENTS, MODIFICATIONS ETC. No amendment, modification, or cancellation of this Assignment or any part hereof will be enforceable without Assignee's prior written consent.

16. TIME OF ESSENCE. Time shall be of the essence of this Assignment with respect to payments required hereunder.

17. CONFLICTING PROVISIONS. In the event of any conflict or inconsistency between this Assignment and any of the provisions of the Loan Agreement or the Mortgage, the provisions of the document selected by Lender shall prevail.

18. BINDING AGREEMENT. Each and every provision hereof shall bind and shall inure to the benefit of the Assignee, and its successors and assigns.

19. GOVERNING LAW. This Assignment shall be governed by, and construed and enforced in accordance with, the laws of the State of New Jersey.

20. TERMINATION OF ASSIGNMENT. Upon payment in full of all Liabilities, this Assignment shall become and be null and void and no further force and effect.

21. NOTICES. Any notice that Assignor or Assignee may desire or be required to give to the other shall be in writing and shall be mailed or delivered in accordance with the terms of PARAGRAPH 5.01 of the Mortgage to the intended recipient thereof at its address hereinabove set forth or as such intended recipient may, from time to time, by notice in writing, designate to the sender pursuant hereto. Except as otherwise specifically required herein, notice of the exercise of any right or option granted to Assignee by this Assignment is not required to be given.

22. SUCCESSORS AND ASSIGNS. This Assignment and all provisions hereof shall inure to the benefit of Assignee and shall be binding upon Assignor, its successors and assigns, and all other persons or entities claiming under or through Assignor and the word "Assignor," when used herein, shall include all such persons and entities and any others liable for the payment of the indebtedness secured hereby or any part thereof, whether or not they have executed the Note or this Assignment. The word "Assignee," when used herein, shall include Assignee's successors, assigns and legal representatives, including all other holders, from time to time, of the Note. This Assignment shall run with the land constituting the Premises.

23. SURVIVAL. The rights of the Assignee to collect and receive the rents assigned hereunder or to exercise any of the rights or powers herein granted to the Assignee shall, to the extent not prohibited by law, extend also to the period from and after the filing of any suit to foreclose the lien of the Mortgage, including but not limited to any period after entry of a judgment in foreclosure and any period allowed by law for the redemption of the Premises after any foreclosure sale.

24. LITIGATION. TO THE MAXIMUM EXTENT PERMITTED BY LAW, ASSIGNOR HEREBY AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS ASSIGNMENT SHALL BE TRIED AND DETERMINED EITHER IN THE STATE OR FEDERAL COURT LOCATED IN THE COUNTY OF BERGEN, STATE OF NEW JERSEY, OR, AT THE SOLE OPTION OF LENDER, IN THE BOROUGH OF MANHATTAN, CITY OF NEW YORK OR IN ANY OTHER COURT IN WHICH LENDER SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. TO THE MAXIMUM EXTENT PERMITTED BY LAW, ASSIGNOR HEREBY EXPRESSLY WAIVES ANY RIGHT IT MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS PARAGRAPH 24. TO THE MAXIMUM EXTENT PERMITTED BY LAW, ASSIGNOR HEREBY WAIVES PERSONAL SERVICE OF PROCESS UPON ASSIGNOR, AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY REGISTERED MAIL DIRECTED TO ASSIGNOR AT THE ADDRESS STATED IN THE MORTGAGE AND SERVICE SO MADE WILL BE DEEMED TO BE COMPLETED UPON ACTUAL RECEIPT.

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25. JURY WAIVER. TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH OF ASSIGNOR AND ASSIGNEE HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY ACTION, CAUSE OF ACTION, CLAIM, DEMAND OR PROCEEDING ARISING UNDER OR WITH RESPECT TO THIS ASSIGNMENT, OR IN ANY WAY CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE DEALINGS OF ASSIGNOR AND ASSIGNEE WITH RESPECT TO THIS ASSIGNMENT, OR THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH OF ASSIGNOR AND ASSIGNEE HEREBY AGREES THAT ANY SUCH ACTION, CAUSE OF ACTION, CLAIM, DEMAND OR PROCEEDING SHALL BE DECIDED BY A COURT TRIAL WITHOUT A JURY AND THAT ASSIGNOR OR ASSIGNEE MAY FILE A COPY OF THIS ASSIGNMENT WITH ANY COURT OR OTHER TRIBUNAL AS WRITTEN EVIDENCE OF THE CONSENT OF EACH OF ASSIGNOR AND ASSIGNEE TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY. ASSIGNOR AGREES THAT IT WILL NOT ASSERT ANY CLAIM AGAINST ASSIGNEE ON THE THEORY OF LIABILITY FOR SPECIAL, INDIRECT, CONSEQUENTIAL, INCIDENTAL OR PUNITIVE DAMAGES.

IN WITNESS WHEREOF, the Assignor has duly executed this instrument the day and year first above written.

ASSIGNOR:

WITNESS: ALX OF PARAMUS LLC

/s/ Patrick Hogan By: /s/ Joseph Macnow  
-----  
As to Joseph Macnow Joseph Macnow, Executive Vice President  
of Finance and Administration

/s/ Brian Kurtz By: /s/ Steven Santora  
-----  
As to Steven Santora Steven Santora, Assistant Secretary

ACKNOWLEDGMENT

STATE OF \_\_\_\_\_ )  
 ) SS.  
COUNTY OF \_\_\_\_\_ )

I CERTIFY that on October \_\_\_\_, 2001, Joseph Macnow, personally appeared before me and this person acknowledged under oath, to my satisfaction, that this person:

(a) signed the attached instrument as Executive Vice President of Finance and Administration of ALX of Paramus LLC, a limited liability company of the State of Delaware, named in this instrument, and

(b) is authorized to execute the attached instrument on behalf of such limited liability company; and

(c) executed the attached instrument as the act of such limited liability company.

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
  ) SS.  
COUNTY OF \_\_\_\_\_ )

I CERTIFY that on October \_\_\_, 2001, Steven Santora, personally appeared before me and this person acknowledged under oath, to my satisfaction, that this person:

(a) signed the attached instrument as Assistant Secretary of ALX of Paramus LLC, a limited liability company of the State of Delaware, named in this instrument, and

(b) is authorized to execute the attached instrument on behalf of such limited liability company; and

(c) executed the attached instrument as the act of such limited liability company.

\_\_\_\_\_  
Notary Public



EXHIBIT A  
LEGAL DESCRIPTION OF THE PREMISES

PARCEL I:

BEING ALL that tract or parcel of land and premises, situated, lying and being in the Borough of Paramus, County of Bergen State of New Jersey and being more particularly described as follows:

Beginning at the point of intersection of the Northerly line of New Jersey State Highway Route 4 (being 65.00 feet measured at right angles from the center line) with the Easterly line of the Garden State Parkway all as shown on a certain map entitled "Major Subdivision for Paramus/Alexander's/Hahn/Somes-Alterman, N.J.S.H. Route 4 West and J.J.S.H. Route 17 South, Paramus, Bergen County, New Jersey", prepared by Lapatka Associates, Inc., dated 12-24-87 and bearing 1-16-89 as its latest revision date, filed in the Bergen County Clerk's Office on 10-4-89 as Map No. 8695 and running; thence,

- 1) Along the Easterly line of the Garden State Parkway, North 60 Degrees and 27 minutes and 15 seconds East, 428.16 feet to a point; thence,
- 2) Along the same, North 59 degrees and 19 minutes and 52 seconds East, 199.97 feet to a point; thence,
- 3) Along the same, North 57 degrees and 31 minutes and 44 seconds East, 195.58 feet to a point; thence,
- 4) Along the same, North 53 degrees and 35 minutes and 28 seconds East, 198.81 feet to a point; thence,
- 5) Along the same, North 49 degrees and 42 minutes and 46 seconds East, 197.95 feet to a point; thence,
- 6) Along the same, North 46 degrees and 32 minutes and 53 seconds East, 287.90 feet to a point; thence,
- 7) Along the same, North 41 degrees and 09 minutes and 46 seconds East, 232.45 feet to a point; thence,
- 8) Continuing along the Easterly line of the Garden State Parkway, North 37 degrees and 42 minutes and 15 seconds East, 88.66 feet to a point; thence,
- 9) Along the Southerly line of Lot 1 in Block 1201 as shown on the referenced subdivision, South 51 degrees and 53 minutes and 42 seconds East, 205.30 feet to a point; thence,
- 10) Along the Easterly line of Lot 1 in Block 1201, North 38 degrees and 06 minutes and 18 seconds East, 85.00 feet to a point; thence,

- 11) Along the Southerly line of Lot 2 in Block 1201 as shown on the referenced subdivision, South 51 degrees and 53 minutes and 42 seconds East, 400.00 feet to a point; thence
- 12) Along the Easterly line of Lot 2 in Block 1201, North 38 degrees and 06 minutes and 18 seconds East, 15.00 feet to a point; thence,
- 13) Along the Southerly line of Lot 12 in Block 1201 as shown on the referenced subdivision, South 51 degrees and 53 minutes and 42 seconds East, 140.72 feet to a point; thence
- 14) Along the Westerly line of N.J.S.H Route 17 (120.00 feet wide), South 07 degrees and 53 minutes and 26 seconds West, 385.88 feet to a point; thence,
- 15) Along the Easterly line of Lot 7 in Block 1202 as shown on the referenced subdivision, North 02 degrees and 31 minutes and 19 seconds West, 42.63 feet to a point on a curve; thence,
- 16) Westerly, along the Northerly line of Lot 7 in Block 1202 on a curve to the right having a radius of 25.00 feet, central angle of 73 degrees and 42 minutes and 40 seconds (chord bearing North 89 degrees and 01 minutes and 40 seconds West), an arc distance of 32.16 feet to a point of tangency; thence,
- 17) Along the same, North 52 degrees and 10 minutes and 20 seconds West, 97.92 feet to a point; thence,
- 18) Along a Westerly line of Lot 7 in Block 1202, South 39 degrees and 35 minutes and 56 seconds West, 111.89 feet to a point; thence,
- 19) Along the same, South 37 degrees and 39 minutes and 55 seconds West, 93.00 feet to a point; thence,
- 20) Along a Southerly line of Lot 7 in Block 1202, South 52 degrees and 20 minutes and 05 seconds East, 100.00 feet to a point; thence,
- 21) Along a Westerly line of Lot 7 in Block 1202, South 37 degrees and 39 minutes and 55 seconds West, 25.00 feet to a point; thence,
- 22) Along a Southerly line of Lot 7 in Block 1202, South 52 degrees and 20 minutes and 05 seconds West, 176.20 feet to a point; thence,
- 23) Along the Westerly line of N.J.S.H. Route 17, South 07 degrees and 53 minutes and 26 seconds West, 1.49 feet to a point; thence,
- 24) Along the same, South 07 degrees and 37 minutes and 51 seconds West, 44.71 feet to a point; thence,

- 25) Along the Northerly line of existing Lot 2 in Block 1203 being lands, now or formerly, of the New Jersey Department of Transportation, North 52 degrees and 20 minutes and 05 seconds West, 9.32 feet to a point; thence,
- 26) Along the Westerly line of existing lot 2 in Block 1203, South 37 degrees and 39 minutes and 55 seconds West, 100.00 feet to a point; thence,
- 27) Along the Southerly line of the same and existing Lot 3 in Block 1203 being lands, now or formerly, of Gabriel Associates, South 52 degrees and 20 minutes and 05 seconds East, 67.13 feet to a point; thence,
- 28) Along the Westerly line of N.J.S.H. Route 17, South 07 degrees and 37 minutes and 51 seconds West, 4.46 feet to a point of curvature; thence,
- 29) Southwesterly, along the Westerly line of the ramp from N.J.S.H. Route 17 (Southbound) to N.J.S.H. Route 4 (Westbound) on a curve to the right having a radius of 290.00 feet, an arc distance of 254.39 feet to a point of tangency; thence,
- 30) Along the same, South 57 degrees and 53 minutes and 26 seconds West, 281.78 feet to a point; thence,
- 31) Along the same, South 70 degrees and 18 minutes and 16 seconds West, 111.35 feet to a point; thence,
- 32) Along the same, North 87 degrees and 45 minutes and 06 seconds West, 81.43 feet to a point; thence,

Along the Northerly line of N.J.S.H. Route 4, North 72 degrees and 06 minutes and 34 seconds West, 1,490.31 feet to the point or place of beginning.

Subject to easements and restrictions of record.

Being Lot 1 in Block 1202 as appearing on the referenced Subdivision Map No. 8695 containing 1,712,916 square feet or 39.3231 acres more or less.

Excepting therefrom lands acquired by the State of New Jersey by the Commissioner of Transportation pursuant to Declaration of Taking for Road Widening, recorded November 25, 1997, in Book 8023, Page 304, as instrument #144855.

Including specifically that part of Lot 7, in Block 1202, pursuant to Deed Book 8042, Page 097, (Exchange Deed, between The State of New Jersey, Department of Transportation and Alexander's Department Stores of New Jersey, Inc.), recorded February 6, 1998, as instrument #018103.

PARCEL II:

BEING ALL that tract or parcel of land and premises, situated, lying and being in the Borough of Paramus, County of Bergen State of New Jersey and being more particularly described as follows:

Beginning at the intersection of the Westerly right of way line of the Garden State Parkway and the new Southerly line of Tax Map Lot 7 in Tax Map Block 1802, said point having a New Jersey State Plane Grid Coordinate of North 763,178.759 and East 2,163,678.175, all as laid down on a certain map entitled "Location Survey, Lot 3, Block 1101, Paramus, Bergen County, New Jersey", dated 10-26-93 and bearing 2-8-94 as its latest revision date, prepared by Lapatka Associates, Inc., Paramus, New Jersey. Said point also being measured Southwesterly along the Westerly right of way line of the Garden State Parkway from its intersection with the Southerly R.O.W. Line of Century Road, all as laid down on a certain map entitled "Garden State Parkway, Section 1, Survey of Westerly right of way line, South of Century Road, Paramus, N.J.", dated November 23, 1966, Sheet No. 32 of 33, prepared by Boswell Engineering Company, Ridgefield Park, New Jersey, along the following bearings and distances:

- A) South 10 degrees and 11 minutes and 03 seconds West, along the Westerly right of way line of the Garden State Parkway as described above, for a distance of 136.71 feet to a bend in the same; thence,
- B) South 05 degrees and 33 minutes and 26 seconds West, along the same, for a distance of 185.87 feet to a bend in the same; thence,
- C) South 09 degrees and 55 minutes and 07 seconds West, along the same, for a distance of 185.78 feet to a bend in the same; thence,
- D) South 14 degrees and 54 minutes and 37 seconds West, along the same, for a distance of 174.89 feet to a bend in the same; thence,
- E) South 20 degrees and 48 minutes and 46 seconds West, along the same, for a distance of 182.94 feet to a bend in the same; thence,
- F) South 25 degrees and 46 minutes and 10 seconds West, along the same, for a distance of 161.01 feet to a bend in the same; thence,
- G) South 28 degrees and 52 minutes and 02 seconds West, along the same, for a distance of 82.49 feet to the new Southerly line of Tax Map Lot 7 in Tax Map Block 1802, being the point and place of beginning and running from the beginning point hereindescribed; thence,
- 1) South 28 degrees and 52 minutes and 02 seconds West, along the Westerly right of way line of the Garden State Parkway as described above, for a distance of 95.64 feet to a bend in the same; thence,

- 2) South 34 degrees and 53 minutes and 01 seconds West, along the same, for a distance of 173.10 feet to a bend in the same; thence,
- 3) South 37 degrees and 55 minutes and 47 seconds West, along the same, for a distance of 183.83 feet to a bend in the same; thence,
- 4) South 41 degrees and 07 minutes and 31 seconds West, along the same, for a distance of 177.89 feet to a bend in the same; thence,
- 5) South 43 degrees and 34 minutes and 47 seconds West, along the same, for a distance of 171.17 feet to a bend in the same; thence,
- 6) South 47 degrees and 27 minutes and 33 seconds West, along the same, for a distance of 30.73 feet to its intersection with the Northerly right of way line of Summit Avenue extended, as laid down on a certain map entitled "Map Showing S.E. Wood - Summit Avenue Subdivision, West Hackensack, Midland Township, Bergen County, New Jersey", filed in the Bergen County Clerk 's Office on June 16, 1997 as Map No. 773; thence,
- 7) North 52 degrees and 20 minutes and 05 seconds West, along the Northerly right of way line of Summit Avenue extended, for a distance of 20.00 feet more or less to the centerline of Sprout Brook as it previously existed; thence,
- 8) Northerly, along the various courses of the "centerline of Sprout Brook as located in the field" as it formerly existed and laid down on a certain map entitled "New Jersey Highway Authority, Garden State Parkway, Section I, General Property Map", Sheets No. 29 and 30 of 33, prepared by Fay, Spofford & Thorndike, Consulting Engineers, Boston, Massachusetts and Clifton, New Jersey, for a distance of approximately 960 feet to its intersection with the aforementioned new Southerly line of Tax Map Lot 7 in Tax Map Block 1802; thence,
- 9) South 52 degrees and 36 minutes and 40 seconds East, along the new Southerly line of Tax Map Lot 7 in Tax Map Block 1802, for a distance of approximately 370 feet to the point and place of beginning.

TOGETHER with all right, title and interest in and to that certain limited Easement for Right of way as set forth in Deed Book 7796, Page 505, Bergen County, New Jersey.

CONSENT, ACKNOWLEDGMENT OF RECEIPT OF ASSIGNMENT  
OF LEASES AND RENTS AND MORTGAGE, AND ESTOPPEL CERTIFICATE  
BY IKEA PROPERTY, INC.

1. All capitalized terms herein shall have the same meaning as set forth in the Assignment of Leases and Rents (the "Assignment") to which this is attached.
2. The undersigned, knowing that Assignee relies upon the statements made by and agreements of the undersigned herein in making the Loan, hereby consents to the execution and delivery of the Assignment by Assignor to Assignee and the undersigned hereby acknowledges and/or agrees to the following:
  - (a) The undersigned received a copy of the fully executed Assignment and Mortgage on the date hereof; and
  - (b) The right of Assignee upon the occurrence of a Default to exercise any or all of the rights and remedies of the Assignor under the Leases (without (i) being the fee owner of the Premises, (ii) taking or asserting the right to take possession of the Premises, or any part thereof, (iii) collecting or asserting the right to collect the Rents due under the Leases, or (iv) assuming any of the liabilities or obligations of landlord thereunder); and
  - (c) The right and standing of the Assignee to enforce any or all of the rights and remedies granted to the Assignee by the Assignor in the Assignment, notwithstanding (i) the Assignee has no resulting obligations to the undersigned; (ii) the Assignor may be in default under the Ground Lease; (iii) the Assignee has not assumed any of the obligations or liabilities of the landlord under the Ground Lease; and (iv) the Assignee may not then be the fee owner of the Premises; and
  - (d) In the event Assignee seeks to enforce any or all of the rights and remedies granted to the Assignee by the Assignor under the Assignment, the Assignee shall have no obligation to the undersigned (i) to cure any default by Assignor under the Ground Lease or (ii) to perform any of the terms, covenants or conditions of the Ground Lease. The undersigned hereby waives any claim against the Assignee, its successors and assigns, with respect to Assignor's acts or omissions under the Ground Lease; and
  - (e) No amendment or modification to the Ground Lease shall be effective unless the prior written consent of Assignee is obtained; and
  - (f) Upon receipt by the undersigned of notice from Assignee that a Default has occurred and demand therefor, the undersigned agrees to pay directly to Assignee all Fixed Rent (as such term is defined in the Ground Lease) payable thereafter; and
  - (g) Subject to the terms of the Loan Agreement, the undersigned shall not enter into any subleases with respect to the Premises without the prior written consent of the Mortgagee.

3. At your request, and knowing that you rely upon the accuracy of the information contained herein in completing the Loan, the undersigned hereby certifies, as of the date hereof, as follows:

- (a) The undersigned is a Delaware corporation, duly organized and validly existing under the laws of the State of Delaware and in good standing therein. The undersigned is duly qualified to transact business in the State of New Jersey as a foreign corporation.
- (b) The undersigned has the power and authority (i) to lease the Premises from Assignor, (ii) to execute, acknowledge and deliver (1) the Ground Lease and (2) this Consent, Acknowledgment of Receipt of the Assignment and Mortgage, and Estoppel Certificate (the "Consent"), and (3) to perform and be bound by the obligations, agreements and covenants required to be performed by, or binding upon, the undersigned under the Ground Lease and the Consent. Michael McDonald is authorized to execute and deliver the Ground Lease and the Consent on behalf of the undersigned.
- (c) The execution and delivery of the Ground Lease and the Consent do not, and the performance by the undersigned of its obligations thereunder will not, (i) violate, be in conflict with, result in the breach of, or constitute (with due notice or lapse of time, or both) a default under, (1) any provision of the undersigned's Certificate of Incorporation or its by-laws, or (2) any law, regulation, order, decree, writ or injunction of any court, public board or body, or (3) any agreement, indenture, note or other instrument which is binding upon the undersigned or its properties, and (ii) except to the extent valid consents have been obtained, require the consent of any person or entity whatsoever, including, without limitation, any governmental authority or any of the undersigned's directors or shareholders.
- (d) The execution and delivery of the Ground Lease and the Consent by the undersigned have been duly authorized by all requisite action of the undersigned and the Ground Lease and the Consent have been executed and delivered by the undersigned. The Ground Lease and the Consent are the legal, valid and binding obligations of the undersigned, enforceable against the undersigned in accordance with their respective terms.
- (e) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, pending before any court, public board or body, or to our knowledge, threatened, against the undersigned or its properties nor is there any basis therefor, wherein an unfavorable decision, ruling, or finding would in any way materially and adversely affect the transactions contemplated by the Loan Documents, the Ground Lease or the financial condition of the undersigned or which would adversely affect the validity and/or enforceability of the Loan Documents or the Ground Lease.

- (f) The Ground Lease is currently in full force and effect and constitutes the entire agreement with respect to our use and occupancy of the Premises.
- (g) The Ground Lease has not been changed, amended, modified or supplemented in any way.
- (h) The Ground Lease does not require the landlord thereunder to perform any work or to make any improvements with respect to the Premises.
- (i) The term of the Ground Lease commences on October 4, 2001 and the expiration date of the Ground Lease is October 3, 2041.
- (j) The undersigned claims no off-sets, set-offs, rebates, concessions, abatements or defenses against or with respect to rent, additional rent or other sums payable by the undersigned under the terms of the Ground Lease.
- (k) There are no defaults by Assignor under the terms of the Ground Lease and no event has occurred which, with the giving of notice or the passage of time or both, would constitute a default by Assignor under the Ground Lease. Assignor has no obligation to pay the undersigned for any improvements made or to be made by the undersigned to the Premises or any part thereof.
- (l) The undersigned does not have, and has not exercised, (i) an option to purchase the Premises or any part thereof; (ii) a right of first refusal with respect to the Premises; or (iii) an option to extend or renew the Ground Lease, except as may be expressly stated in the Ground Lease.
- (m) Rent under the Ground Lease has not been paid for any period after October 31, 2001. The monthly rent presently payable under the terms of the Ground Lease is as stated in the Ground Lease. Assignor is not providing, and has no obligation to provide, any services to the undersigned.
- (n) The undersigned has not paid any security deposit to Assignor.
- (o) The Ground Lease, and the undersigned's rights under, and leasehold estate created by, the Ground Lease, are subject and subordinate to the Mortgage and to all renewals, modifications, consolidations, replacements and extensions thereof.
- (p) The undersigned is the tenant under the Ground Lease, has accepted possession of the Premises and is in sole possession of the Premises. The undersigned has not (i) assigned its interest under the Ground Lease, or (ii) sublet the Premises or any part thereof, or (iii) otherwise transferred its interest in the Ground Lease or the Premises, and subordinate to the Mortgage and to all renewals, modifications, consolidations, replacements and extensions thereof.



- (q) The undersigned is the tenant under the Ground Lease, has accepted possession of the Premises and is in sole possession of the Premises. The undersigned has not (i) assigned its interest under the Ground Lease, or (ii) sublet the Premises or any part thereof, or (iii) otherwise transferred its interest in the Ground Lease or the Premises, or (iv) received any notice of assignment of the rents due or to become due under the Ground Lease.
- (r) The undersigned has not filed and is not the subject of any filing for bankruptcy or reorganization under federal bankruptcy laws.
- (s) The address for notices to the undersigned is correctly set forth in the Ground Lease.
- (t) Upon notification to the undersigned that ownership of the Premises has been transferred, the undersigned agrees to attorn to the new owner and to recognize it as landlord under the Ground Lease.
- (u) The person signing on behalf of the undersigned is duly authorized to sign this instrument for the undersigned.

IN WITNESS WHEREOF, the undersigned has duly executed this instrument on and as of October 2, 2001.

ATTEST:

IKEA PROPERTY, INC.

/s/ James Quinn

By: /s/ Michael McDonald  
Name: Michael McDonald  
Its: President

ACKNOWLEDGMENT

STATE OF NEW JERSEY        )  
                                  ) SS.  
COUNTY OF                    )

I CERTIFY that on October \_\_\_\_, 2001, \_\_\_\_\_, personally appeared before me and this person acknowledged under oath, to my satisfaction, that this person:

(a) signed the attached instrument as \_\_\_\_\_ of IKEA Property, Inc., a corporation of the State of Delaware, named in this instrument, and

(b) is authorized to execute the attached instrument on behalf of such corporation; and

(c) executed the attached instrument as the act of such corporation.

\_\_\_\_\_  
Notary Public

Record and Return to:

Steven G. Rogers, Esq.  
First American Title Insurance  
Company of New York  
633 Third Avenue  
New York, NY 10017

## ENVIRONMENTAL INDEMNITY AGREEMENT

THIS ENVIRONMENTAL INDEMNITY AGREEMENT (this "AGREEMENT") is made as of the 2nd day of October, 2001, by ALX OF PARAMUS LLC, a Delaware limited liability company, with a mailing address of 210 Route 4 East, Paramus, New Jersey 07652, Attention: Chief Financial Officer ("BORROWER"), to SVENSKA HANDELSBANKEN AB (PUBL) ("LENDER"), with a mailing address of 153 East 53rd Street, 37th Floor, New York, New York 10022, Attention: Corporate Banking Department.

## W I T N E S S E T H:

WHEREAS, Borrower has executed and delivered to Lender a Limited Recourse Promissory Note of even date herewith (together with all renewals, amendments, supplements, restatements, extensions, and modifications thereof and thereto, the "NOTE"), wherein Borrower promises to pay to the order of Lender the principal amount of \$68,000,000.00 in repayment of a loan from Lender in like amount (the "LOAN"), together with interest thereon, at rates of interest and otherwise as set forth in the Note, which Note is due and payable on or before the MATURITY DATE (as defined in the Note). The Note is secured, inter alia, by a mortgage, security agreement and fixture financing statement of even date herewith (the "MORTGAGE") made by Borrower granting a lien on certain real estate, improvements and personal property located thereon and legally described on EXHIBIT A attached hereto and hereby made a part hereof (the "PROPERTY"). As additional security for repayment of the Note, Borrower is executing and/or delivering to Lender certain other documents including, without limitation, that certain Loan Agreement between Borrower and Lender of even date herewith (the "LOAN AGREEMENT") and that certain Assignment of Leases and Rents made by Borrower for the benefit of Lender of even date herewith (the "ASSIGNMENT") (the Note, the Mortgage, the Loan Agreement, the Assignment, this Agreement and all other documents which are executed and delivered as additional evidence of, or security for repayment of, the Loan, whether now or hereafter existing, and all renewals, amendments, supplements, extensions and modifications thereof and thereto, are collectively referred to hereinafter as the "LOAN DOCUMENTS"); and

WHEREAS, as one of the conditions of making the Loan and advances, credit and other financial accommodations heretofore or hereinafter made to Borrower by Lender, Lender is requiring the execution and delivery of this Agreement.

NOW, THEREFORE, to induce Lender to make the Loan, and advances, credit and other financial accommodations heretofore or hereinafter made to Borrower by Lender, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower hereby represents, warrants, covenants, and otherwise agrees as follows:

1. Except as set forth in that certain two-volume Phase I Environmental Site Assessment dated August 30, 2001 ( the "2001 SITE ASSESSMENT") prepared by P.T. & L. Environmental Consultants, Inc. under Project No. 012364, and that certain Limited Phase II Environmental Investigation Report dated October 2, 2001 (the "2001 SUPPLEMENTAL REPORT") prepared by P.T. & L. Environmental Consultants, Inc. under Project No. 012380, and except as

set forth in that certain Phase I Environmental Site Assessment dated December 1, 1993 (the "1993 SITE ASSESSMENT") prepared by Certified Engineering & Testing Co., Inc. under Project No. N30112 (the 2001 Site Assessment, 2001 Supplemental Report, and 1993 Site Assessment, including all attachments and appendices to the foregoing, are referred to collectively as the "ENVIRONMENTAL REPORT") Borrower represents and warrants, to the best of its knowledge, that there are no Hazardous Substances (as hereinafter defined) in the environment at, upon or under the Property in quantities or concentrations exceeding those allowed pursuant to applicable Environmental Laws and further represents and warrants that during the periods of ownership of the Property by Borrower, and, to the best of its knowledge, prior to Borrower's acquisition of its interest therein, there have not been any Releases of any Hazardous Substances at, upon or under the Property in quantities or concentrations exceeding those allowed pursuant to applicable Environmental Laws. Borrower warrants that it will not cause or allow there to be any Hazardous Substances Managed (as hereinafter defined) at, upon or under the Property in a manner that does not comply with all applicable Environmental Laws or Releases (as hereinafter defined) at, upon or under the Property in violation of applicable Environmental Laws including but not limited to Management (as hereinafter defined) or Releases (as hereinafter defined) in connection with any operations, construction, restoration, rehabilitation, or repairs on or at the Property.

2. Except as otherwise set forth in the Environmental Report, Borrower represents and warrants that there are no above ground storage tanks ("ASTS") or underground storage tanks ("USTS") at, upon or under the Property, and further represents and warrants that during the periods of ownership of the Property by Borrower, and, to the best of its knowledge, prior to Borrower's acquisition of its interest therein, there have been no ASTs or USTs at, upon or under the Property. Borrower warrants that it will not cause or allow any ASTs or USTs to be installed at, upon or under the Property.

3. Borrower covenants and agrees (i) to comply with all applicable Environmental Laws (as hereinafter defined) and Environmental Permits (as hereinafter defined); (ii) to require the tenants and others operating on the Property at its request to comply with applicable Environmental Laws and Environmental Permits; (iii) to provide Lender immediate notice of any correspondence, notices, demands or communications of any nature whatsoever received by Borrower relating to any alleged or actual violation, or any investigation of any alleged or actual violation, of any applicable Environmental Law or relating to any alleged or actual presence of Hazardous Substances at, under, over or upon the Property, and to immediately provide Lender copies of any such correspondence, notices, demands or communications which are in writing; (iv) to comply with Borrower's undertaking set forth in that certain letter dated as of the date hereof from Borrower to Lender concerning the 2001 Supplemental Report; and (v) to advise Lender in writing as soon as Borrower becomes aware of any Environmental Condition or circumstance which makes any of Borrower's representations or warranties contained herein incomplete or inaccurate. In the event Lender determines that there is any evidence that any such Environmental Condition or circumstance exists, whether or not described in any communication or notice to Borrower or Lender, Borrower agrees, at its own expense and at the request of Lender, to permit an environmental audit to be conducted by Lender or an independent agent selected by Lender. This provision shall not relieve Borrower from conducting its own environmental audits or taking any other steps necessary to comply with any applicable Environmental Law or Environmental Permits. If, in the opinion of Lender, there exists any

uncorrected violation of any applicable Environmental Law or Environmental Permits or any Environmental Condition which requires or may require any cleanup, removal or other remedial action under any applicable Environmental Law, and such cleanup, removal or other remedial action is not conducted in compliance in all respects with all applicable Environmental Laws and in a continuously diligent manner, the same shall, at the option of Lender, constitute an Event of Default under the Loan Agreement.

4. Lender and Indemnitees (as hereinafter defined) and their respective agents and representatives, shall have the right, subject to the rights of tenants under any lease, at any reasonable time to enter and visit the Property for the purposes of observing the Property, taking and removing soil or groundwater samples, and conducting tests on any part of the Property. Neither Lender nor Indemnitees shall have a duty, however, to visit or observe the Property or to conduct tests, and no site visit, observation or testing by Lender or any Indemnitee shall impose any liability on Lender or any Indemnitee. In no event shall any site visit, observation or testing by Lender or any Indemnitee be a representation that Hazardous Substances are or are not present in, on or under the Property, or that there has been or shall be compliance with any law, regulation or ordinance pertaining to Hazardous Substances or any other applicable governmental law. Neither Borrower nor any other party is entitled to rely on any site visit, observation or testing by Lender or any Indemnitee. BORROWER ACKNOWLEDGES THAT NEITHER LENDER NOR ANY INDEMNITEE OWES ANY DUTY OF CARE TO PROTECT BORROWER OR ANY OTHER PARTY AGAINST, OR TO INFORM BORROWER OR ANY OTHER PARTY OF, ANY HAZARDOUS SUBSTANCES OR ANY OTHER ADVERSE CONDITION AFFECTING THE PROPERTY. Lender and Indemnitees shall disclose to Borrower, and may in the sole and absolute discretion of Lender and Indemnitees disclose to any other party, any report or findings made as a result of, or in connection with, any site visit, observation or testing by Lender or Indemnitees. Borrower understands and agrees that neither Lender nor Indemnitees makes any representation or warranty to Borrower or any other party regarding the truth, accuracy or completeness of any such report or findings that may be disclosed. Borrower also understands that, depending on the results of any site visit, observation or testing by Lender or any Indemnitee which are disclosed to Borrower, Borrower may have a legal obligation to notify one or more environmental agencies of the results and that such reporting requirements are site-specific and are to be evaluated by Borrower without advice or assistance from Lenders or Indemnitees. Lender or any Indemnitee shall give Borrower reasonable notice before entering the Property, and any such party shall make reasonable efforts to avoid interfering with Borrower's or Ground Lessee's (as such term is defined in the Mortgage) use of the Property in exercising any rights provided in this PARAGRAPH 4.

5. Borrower represents and warrants that (i) all necessary Environmental Permits pertaining to the Property have been obtained by the appropriate party, and that all reports, notices, and other documents required under any applicable Environmental Law in connection with the Property have been filed; (ii) Borrower is not a party to any litigation or administrative proceeding arising under any applicable Environmental Law in connection with the Property, nor to the best knowledge of Borrower is there any such litigation or proceeding contemplated or threatened; (iii) to its best knowledge the Property is free from any judgment, decree, order or citation related to or arising out of any applicable Environmental Law; and (iv) until the Loan is paid in full, the Property shall not be used in any manner that would either subject the Property or any part thereof to the provisions of the New Jersey Industrial Site Recovery Act, N.J.S.A.

13:1k-6 et seq ("ISRA") or cause the Property to be deemed an "industrial establishment" unless subject to a valid "de Minimis Quantity Exemption" pursuant to the provisions of ISRA.

6. Borrower covenants and agrees that it will indemnify, defend and hold harmless Lender and any and all current, future or former officers, directors, employees or agents of Lender (collectively, the "INDEMNITEES") from any and all Losses (as hereinafter defined) in any way arising from: (i) any breach of any covenant, representation or warranty in this Agreement; (ii) any Environmental Liability (as hereinafter defined); (iii) any failure to obtain or comply with any Environmental Permit; (iv) any Release (as hereinafter defined); (v) any Management; (vi) any Environmental Condition (as hereinafter defined); (vii) the presence of any Hazardous Substance at any property other than the Property which is present due to either (A) any direct or indirect transportation whatsoever of a Hazardous Substance from the Property, or by any Indemnitor, to the property at which such Hazardous Substance is present and cause any tenant or occupant of the Property to cause an indemnity like this to be delivered in the Lender's favor and any guarantors or subtenants or (B) migration or other movement from the Property to such other property of a Hazardous Substance Released at the Property; and (viii) any Response (as hereinafter defined) arising out of or in connection with any of the matters described in this PARAGRAPH 6. This indemnification shall not apply to matters arising due to Lender's gross negligence or willful misconduct. Borrower's defense of Lender pursuant to this PARAGRAPH 6 shall be by legal counsel retained by Borrower and acceptable to Lender, in Lender's reasonable judgment, it being acknowledged that Borrower's current legal counsel in connection with the Loan would be acceptable for such purpose, and all out-of-pocket costs associated therewith including all legal fees, costs and expenses of all actions and reasonable legal fees of additional counsel appointed by Lender to supervise any actions, shall be paid by Borrower.

7. Borrower hereby consents and agrees that Lender or any Indemnitee may at any time and from time to time without further consent from Borrower do any of the following events, and the liability of Borrower under this Agreement shall be unconditional and absolute and shall in no way be impaired or limited by any of the following events, whether occurring with or without notice to Borrower or with or without consideration: (i) any extensions of time for performance required by any of the Loan Documents or extension or renewal of the Note; (ii) any sale, assignment or foreclosure of the Note, the Mortgage or any of the other Loan Documents or any sale or transfer of the Property (whether by deed in lieu of foreclosure or otherwise); (iii) any change in the composition of Borrower; (iv) the accuracy or inaccuracy of the representations and warranties made by Borrower herein or in any of the Loan Documents; (v) the release of Borrower or of any other person or entity from performance or observance of any of the agreements, covenants, terms or conditions contained in any of the Loan Documents by operation of law, Lender's or Indemnitees' voluntary act or otherwise; (vi) the release or substitution in whole or in part of any security for the Loan; (vii) Lender's failure to record the Mortgage or to file any financing statement (or Lender's improper recording or filing thereof) or to otherwise perfect, protect, secure or insure any lien or security interest given as security for the Loan; (viii) the modification of the terms of any one or more of the Loan Documents; or (ix) the taking or failure to take any action of any type whatsoever. No such action which Lender or any Indemnitee shall take or fail to take in connection with the Loan Documents or any collateral for the Loan, nor any course of dealing with Borrower or any other person, shall limit, impair or release Borrower's obligations hereunder, affect this Agreement in any way or afford Borrower any recourse against Lender or any Indemnitee. Nothing contained in this PARAGRAPH 7 shall be

construed to require Lender or any Indemnatee to take or refrain from taking any action referred to herein.

8. The following definitions apply throughout this Agreement:

(a) The term " ENVIRONMENTAL CONDITION" shall mean the presence of any Hazardous Substance at, upon, over, under or emanating from the Property.

(b) The term "ENVIRONMENTAL LAWS" shall mean all federal, state, and local laws, statutes, rules, regulations, ordinances, permits, guides, orders, consent decrees, including with respect to the forgoing, any judicial and administrative actions and decrees, relating to health, safety and environmental matters as now exist and as may be enacted or amended after the date hereof. Such laws and regulations include, but are not limited to, the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., as amended; the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., as amended ("CERCLA"); the Toxic Substance Control Act, 15 U.S.C. Section 2601 et seq., as amended; the Clean Water Act 33 U.S.C. Section 1251 et seq., as amended; the Clean Air Act, 42 U.S.C. Section 7401 et seq., as amended; the Spill Compensation and Control Act, N.J.S.A. 58:10-23.11 et seq., as amended; the Industrial Site Recovery Act, N.J.S.A. 13:1k-6 et seq., as amended; the Underground Storage of Hazardous Substances Act, N.J.S.A. 58:10A-21 et seq., as amended; the Toxic Catastrophe Prevention Act, N.J.S.A. 13:1K-19, et seq., as amended; the Worker and Community Right to Know Act, N.J.S.A. 34:5A-1, et seq., as amended; the Pollution Prevention Act, N.J.S.A. 13:D-35, et seq., as amended; the Solid Waste Management Act, N.J.S.A. 13:1E-1, et seq., as amended; the Solid Waste Utility Control Act, N.J.S.A. 48:13A-1, et seq., as amended; the Air Pollution Control Act, N.J.S.A. 26:2C-1, et seq., as amended; the Water Pollution Control Act, N.J.S.A. 58:10A-1, et seq., as amended; the Flood Hazard Control Act, N.J.S.A. 58:16A-50, et seq., as amended; the Freshwater Wetlands Protection Act, N.J.S.A. 12:3-1, et seq., as amended; the Noise Control Act, N.J.S.A. 13:IG-1, et seq., as amended; the Pesticide Control Act, N.J.S.A. 13:1F-1, et seq., as amended; federal, state and local environmental cleanup programs; federal, state and local environmental lien programs; Occupational Safety and Health Act of 1970, 29 U.S.C. Section 651 et seq., as amended ("OSHA"); and U.S. Department of Transportation regulations applicable to the transportation of Hazardous Substances.

(c) The term "ENVIRONMENTAL LIABILITY" shall mean any and all liabilities, whether fixed, absolute, or contingent, arising under any applicable Environmental Law or arising under or in connection with any Environmental Permit or Environmental Condition; any and all claims of any nature whatsoever by a third party (including but not limited to governmental agencies) arising in any way under any applicable Environmental Law or arising under or in connection with any Environmental Permit or Environmental Condition, including but not limited to demands for environmental cleanup, investigation or corrective action; any and all Losses incurred or sustained as a result of alleged or actual violations of applicable Environmental Laws or Environmental Permits, any and all alleged or actual Environmental Conditions, any and all Releases, any and all Management, or any and all Responses.

- (d) The term "ENVIRONMENTAL PERMIT" shall mean authorization by any governmental entity to conduct activities governed in whole or in part by one or more Environmental Laws.
- (e) The term "HAZARDOUS SUBSTANCE" shall mean hazardous substances, hazardous wastes, hazardous waste constituents, hazardous by-products, hazardous materials, hazardous chemicals, extremely hazardous substances, pesticides, oil and other petroleum products and toxic substances, including, without limitation, asbestos and PCBs, as those terms are defined pursuant to or encompassed by any Environmental Law or by trade custom and usage.
- (f) The term "LENDER" shall mean and include Lender and Lender's successors, assigns, parents, subsidiaries and affiliated companies, and legal representatives, including all other holders, from time to time, of the Note or any participation therein.
- (g) The terms "LOSS" or "LOSSES" shall mean any and all costs, expenses and expenditures, including, without limitation, court costs and reasonable attorneys', experts' and consultants' fees and costs of litigation or any other losses whatsoever, including, without limitation, costs and expenses of investigation, cleanup, prevention of migration, monitoring, evaluating, assessment, removal or remediation of Hazardous Substances whether or not such costs or expenses are incurred in response to any governmental or third party action, claim or directive; damages; punitive damages actually awarded; obligations; deficiencies; liabilities, whether fixed, absolute, accrued, contingent or otherwise and whether direct, primary or secondary, known or unknown; claims; encumbrances; penalties; demands; assessments; and judgments.
- (h) The terms "MANAGE", "MANAGED" or "MANAGEMENT " shall mean the generation, handling, manufacturing, processing, treatment, storing, use, reuse, refinement, recycling, reclaiming, blending, burning, recovery, incineration, accumulation, transportation, transfer, disposal, release or abandonment of any Hazardous Substances, by any person at any property (including but not limited to facilities or properties other than the Property, as applicable).
- (i) The terms "RELEASE", "RELEASED" or "RELEASES " shall mean any actual or threatened spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of Hazardous Substances into the environment.
- (j) The terms "RESPOND" or "RESPONSE" shall mean any action taken by any person, whether or not in response to a governmental or third party action, claim or directive, to correct, remove, remediate, clean up, prevent migration of, monitor, evaluate, investigate or assess, as appropriate, any Release of a Hazardous Substance, Environmental Condition, Management or actual or alleged violation of an Environmental Law or Environmental Permit.

9. The representations, warranties, covenants and agreements contained in this Agreement, including, but not limited to, the obligations of Borrower to indemnify Lender and the other Indemnitees as set forth in PARAGRAPH 6 hereof, shall survive the foreclosure of any lien on the Property by Lender or a third party or the conveyance thereof by deed in lieu of foreclosure (and shall not be limited to the amount of any deficiency in any foreclosure sale of



Property) and all other indicia of the termination of the relationship between Borrower and Lender, including, but not limited to, the repayment of all amounts due under the Loan Documents, the cancellation of the Note and the release of any and all of the Loan Documents.

10. Notwithstanding any other provisions hereof, the Borrower shall have no personal liability to the Lender in respect of this Agreement and the Lender's remedies hereunder shall be limited to the Security (as that term is defined in the Loan Agreement), except in the case of any claim arising out of fraud or intentional misrepresentation by the Borrower or either of its immediate predecessors in title to the Property in connection with the execution and delivery of this Agreement or any of the other Loan Documents.

11. In the event that Lender or any of the other Indemnitees incurs any costs (including reasonable attorneys' fees, and expenses and court costs) or Losses to collect or enforce Borrower's obligations hereunder, Borrower shall, upon demand by Lender or the other Indemnitees, immediately reimburse Lender or the other Indemnitees therefor, plus interest from the date so incurred until paid at the Default Interest Rate (as that term is defined in the Note), including, but not limited to, reasonable attorneys' fees and expenses and court costs incurred in any litigation, and bankruptcy and administrative proceedings, and appeals therefrom.

12. Notwithstanding anything to the contrary contained in any of the other Loan Documents, the obligations and liabilities of Borrower and shall be binding upon and enforceable against Borrower and its successors and assigns.

13. Any notice or demand that Lender or Borrower may desire or be required to give to the other such party shall be in writing and shall be given and deemed received in accordance with the provisions of Section 10.7 of the Loan Agreement.

14. All rights and remedies set forth in this Agreement are cumulative, and Lender may recover judgment thereon, issue execution therefor, and resort to every other right or remedy available at law or in equity, without first exhausting and without affecting or impairing the security of any right or remedy afforded hereby. Unless expressly provided in this Agreement to the contrary, no consent or waiver, whether express or implied, by any party to or of any breach or default by any other party in the performance by such other party of its obligations hereunder shall be deemed a consent to or waiver of the performance of any other obligation hereunder. Any claim asserted by Lender under this Agreement must be brought within one (1) year after (i) repayment in full of the Loan or (ii) the Lender's sale of the Property after obtaining title thereto.

15. If any provision of this Agreement, or any paragraph, sentence, clause, phrase or word, or the application thereof, in any circumstance, is held invalid, the validity of the remainder of this Agreement shall be construed as if such invalid part were never included herein. As used in this Agreement, the singular shall include the plural and vice-versa, and masculine, feminine and neuter pronouns shall be fully interchangeable, when the context so requires.

16. To the extent permitted by law, Borrower, for itself and its successors, hereby waives and agrees not to assert or take advantage of (i) any assertion or claim that the automatic stay provided by 11 U.S.C. Section 362 (arising upon the voluntary or involuntary bankruptcy proceeding of Borrower) or any other stay provided under any other debtor relief law (whether statutory, common law, case law or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, which may be or become applicable, shall operate or be interpreted to stay, interdict, condition, reduce or inhibit the ability of any Indemnitee to enforce any of its rights, whether now or hereafter acquired, which any Indemnitee may have against Borrower or the collateral for

the Loan, and (ii) any modification of the Loan Documents or any obligation of Borrower relating to the Loan by operation of law or by action of any court, whether pursuant to the Bankruptcy Reform Act of 1978, as amended or recodified (the "BANKRUPTCY CODE"), or under any other present or future federal or state law or statute regarding bankruptcy, reorganization or other relief to debtors (collectively, "DEBTOR RELIEF LAWS"), or otherwise. Borrower covenants and agrees that upon the commencement of a voluntary or involuntary bankruptcy proceeding by or against any Borrower, Borrower shall not seek a supplemental stay or otherwise pursuant to 11 U.S.C. Section 105 or any other provision of the Bankruptcy Code or any other Debtor Relief Laws, to stay, interdict, condition, reduce or inhibit the ability of any Indemnitee to enforce any rights of any Indemnitee against Borrower by virtue of this Agreement or otherwise.

17. Reference to the Borrower herein shall be deemed to include both of Borrower's immediate predecessors in title to the Property.

18. This Agreement may be executed in one or more counterparts, each of which shall constitute an original, and all of which together shall constitute one and the same instrument.

19. THE VALIDITY OF THIS AGREEMENT, ITS CONSTRUCTION, INTERPRETATION AND ENFORCEMENT, AND THE RIGHTS OF THE PARTIES HERETO, SHALL BE DETERMINED UNDER, GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO NEW YORK CHOICE OR CONFLICTS OF LAW PRINCIPLES). BORROWER AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED AND LITIGATED EITHER IN STATE OR FEDERAL COURTS LOCATED IN BERGEN COUNTY, NEW JERSEY OR, AT THE SOLE OPTION OF LENDER, IN THE BOROUGH OF MANHATTAN, CITY OF NEW YORK, OR IN ANY OTHER COURT IN WHICH LENDER SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. TO THE MAXIMUM EXTENT PERMITTED BY LAW, BORROWER HEREBY EXPRESSLY WAIVES ANY RIGHT IT MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS PARAGRAPH 19. TO THE MAXIMUM EXTENT PERMITTED BY LAW, BORROWER HEREBY WAIVES PERSONAL SERVICE OF PROCESS UPON BORROWER, AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY REGISTERED MAIL DIRECTED TO BORROWER AT THE ADDRESS PROVIDED FOR IN PARAGRAPH 13 OF THIS AGREEMENT AND SERVICE SO MADE WILL BE DEEMED TO BE COMPLETED UPON ACTUAL RECEIPT.

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20. TO THE MAXIMUM EXTENT PERMITTED BY LAW, BORROWER AND LENDER HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY ACTION, CAUSE OF ACTION, CLAIM, DEMAND OR PROCEEDING ARISING UNDER OR WITH RESPECT TO THIS AGREEMENT, OR IN ANY WAY CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE DEALINGS OF BORROWER AND LENDER WITH RESPECT TO THIS AGREEMENT OR THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. TO THE MAXIMUM EXTENT PERMITTED BY LAW, BORROWER AND LENDER HEREBY AGREE THAT ANY SUCH ACTION, CAUSE OF ACTION, CLAIM, DEMAND OR PROCEEDING SHALL BE DECIDED BY A COURT TRIAL WITHOUT A JURY AND THAT BORROWER OR LENDER MAY FILE A COPY OF THIS AGREEMENT WITH ANY COURT OR OTHER TRIBUNAL AS WRITTEN EVIDENCE OF THE CONSENT OF LENDER AND BORROWER TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY. BORROWER AGREES THAT IT WILL NOT ASSERT ANY CLAIM AGAINST LENDER ON THE THEORY OF LIABILITY FOR SPECIAL, INDIRECT, CONSEQUENTIAL, INCIDENTAL OR PUNITIVE DAMAGES.

IN WITNESS WHEREOF, Borrower has executed this Agreement as of the date set forth above.

Witness: ALX OF PARAMUS LLC

/s/ Patrick Hogan By: /s/ Joseph Macnow  
Joseph Macnow, Executive Vice President  
of Finance and Administration

/s/ Brian Kurtz By: /s/ Steven Santora  
Steven Santora, Assistant Secretary

EXHIBIT A  
LEGAL DESCRIPTION

PARCEL I:

BEING ALL that tract or parcel of land and premises, situated, lying and being in the Borough of Paramus, County of Bergen State of New Jersey and being more particularly described as follows:

Beginning at the point of intersection of the Northerly line of New Jersey State Highway Route 4 (being 65.00 feet measured at right angles from the center line) with the Easterly line of the Garden State Parkway all as shown on a certain map entitled "Major Subdivision for Paramus/Alexander's/Hahn/Somes-Alterman, N.J.S.H. Route 4 West and J.J.S.H. Route 17 South, Paramus, Bergen County, New Jersey", prepared by Lapatka Associates, Inc., dated 12-24-87 and bearing 1-16-89 as its latest revision date, filed in the Bergen County Clerk's Office on 10-4-89 as Map No. 8695 and running; thence,

- 1) Along the Easterly line of the Garden State Parkway, North 60 Degrees and 27 minutes and 15 seconds East, 428.16 feet to a point; thence,
- 2) Along the same, North 59 degrees and 19 minutes and 52 seconds East, 199.97 feet to a point; thence,
- 3) Along the same, North 57 degrees and 31 minutes and 44 seconds East, 195.58 feet to a point; thence,
- 4) Along the same, North 53 degrees and 35 minutes and 28 seconds East, 198.81 feet to a point; thence,
- 5) Along the same, North 49 degrees and 42 minutes and 46 seconds East, 197.95 feet to a point; thence,
- 6) Along the same, North 46 degrees and 32 minutes and 53 seconds East, 287.90 feet to a point; thence,
- 7) Along the same, North 41 degrees and 09 minutes and 46 seconds East, 232.45 feet to a point; thence,
- 8) Continuing along the Easterly line of the Garden State Parkway, North 37 degrees and 42 minutes and 15 seconds East, 88.66 feet to a point; thence,
- 9) Along the Southerly line of Lot 1 in Block 1201 as shown on the referenced subdivision, South 51 degrees and 53 minutes and 42 seconds East, 205.30 feet to a point; thence,

- 10) Along the Easterly line of Lot 1 in Block 1201, North 38 degrees and 06 minutes and 18 seconds East, 85.00 feet to a point; thence,
- 11) Along the Southerly line of Lot 2 in Block 1201 as shown on the referenced subdivision, South 51 degrees and 53 minutes and 42 seconds East, 400.00 feet to a point; thence
- 12) Along the Easterly line of Lot 2 in Block 1201, North 38 degrees and 06 minutes and 18 seconds East, 15.00 feet to a point; thence,
- 13) Along the Southerly line of Lot 12 in Block 1201 as shown on the referenced subdivision, South 51 degrees and 53 minutes and 42 seconds East, 140.72 feet to a point; thence
- 14) Along the Westerly line of N.J.S.H Route 17 (120.00 feet wide), South 07 degrees and 53 minutes and 26 seconds West, 385.88 feet to a point; thence,
- 15) Along the Easterly line of Lot 7 in Block 1202 as shown on the referenced subdivision, North 02 degrees and 31 minutes and 19 seconds West, 42.63 feet to a point on a curve; thence,
- 16) Westerly, along the Northerly line of Lot 7 in Block 1202 on a curve to the right having a radius of 25.00 feet, central angle of 73 degrees and 42 minutes and 40 seconds (chord bearing North 89 degrees and 01 minutes and 40 seconds West), an arc distance of 32.16 feet to a point of tangency; thence,
- 17) Along the same, North 52 degrees and 10 minutes and 20 seconds West, 97.92 feet to a point; thence,
- 18) Along a Westerly line of Lot 7 in Block 1202, South 39 degrees and 35 minutes and 56 seconds West, 111.89 feet to a point; thence,
- 19) Along the same, South 37 degrees and 39 minutes and 55 seconds West, 93.00 feet to a point; thence,
- 20) Along a Southerly line of Lot 7 in Block 1202, South 52 degrees and 20 minutes and 05 seconds East, 100.00 feet to a point; thence,
- 21) Along a Westerly line of Lot 7 in Block 1202, South 37 degrees and 39 minutes and 55 seconds West, 25.00 feet to a point; thence,
- 22) Along a Southerly line of Lot 7 in Block 1202, South 52 degrees and 20 minutes and 05 seconds West, 176.20 feet to a point; thence,
- 23) Along the Westerly line of N.J.S.H. Route 17, South 07 degrees and 53 minutes and 26 seconds West, 1.49 feet to a point; thence,

- 24) Along the same, South 07 degrees and 37 minutes and 51 seconds West, 44.71 feet to a point; thence,
- 25) Along the Northerly line of existing Lot 2 in Block 1203 being lands, now or formerly, of the New Jersey Department of Transportation, North 52 degrees and 20 minutes and 05 seconds West, 9.32 feet to a point; thence,
- 26) Along the Westerly line of existing lot 2 in Block 1203, South 37 degrees and 39 minutes and 55 seconds West, 100.00 feet to a point; thence,
- 27) Along the Southerly line of the same and existing Lot 3 in Block 1203 being lands, now or formerly, of Gabriel Associates, South 52 degrees and 20 minutes and 05 seconds East, 67.13 feet to a point; thence,
- 28) Along the Westerly line of N.J.S.H. Route 17, South 07 degrees and 37 minutes and 51 seconds West, 4.46 feet to a point of curvature; thence,
- 29) Southwesterly, along the Westerly line of the ramp from N.J.S.H. Route 17 (Southbound) to N.J.S.H. Route 4 (Westbound) on a curve to the right having a radius of 290.00 feet, an arc distance of 254.39 feet to a point of tangency; thence,
- 30) Along the same, South 57 degrees and 53 minutes and 26 seconds West, 281.78 feet to a point; thence,
- 31) Along the same, South 70 degrees and 18 minutes and 16 seconds West, 111.35 feet to a point; thence,
- 32) Along the same, North 87 degrees and 45 minutes and 06 seconds West, 81.43 feet to a point; thence,

Along the Northerly line of N.J.S.H. Route 4, North 72 degrees and 06 minutes and 34 seconds West, 1,490.31 feet to the point or place of beginning.

Subject to easements and restrictions of record.

Being Lot 1 in Block 1202 as appearing on the referenced Subdivision Map No. 8695 containing 1,712,916 square feet or 39.3231 acres more or less.

Excepting therefrom lands acquired by the State of New Jersey by the Commissioner of Transportation pursuant to Declaration of Taking for Road Widening, recorded November 25, 1997, in Book 8023, Page 304, as instrument #144855.

Including specifically that part of Lot 7, in Block 1202, pursuant to Deed Book 8042, Page 097, (Exchange Deed, between The State of New Jersey, Department of Transportation and

Alexander's Department Stores of New Jersey, Inc.), recorded February 6, 1998, as instrument #018103.

PARCEL II:

BEING ALL that tract or parcel of land and premises, situated, lying and being in the Borough of Paramus, County of Bergen State of New Jersey and being more particularly described as follows:

Beginning at the intersection of the Westerly right of way line of the Garden State Parkway and the new Southerly line of Tax Map Lot 7 in Tax Map Block 1802, said point having a New Jersey State Plane Grid Coordinate of North 763,178.759 and East 2,163,678.175, all as laid down on a certain map entitled "Location Survey, Lot 3, Block 1101, Paramus, Bergen County, New Jersey", dated 10-26-93 and bearing 2-8-94 as its latest revision date, prepared by Lapatka Associates, Inc., Paramus, New Jersey. Said point also being measured Southwesterly along the Westerly right of way line of the Garden State Parkway from its intersection with the Southerly R.O.W. Line of Century Road, all as laid down on a certain map entitled "Garden State Parkway, Section 1, Survey of Westerly right of way line, South of Century Road, Paramus, N.J.", dated November 23, 1966, Sheet No. 32 of 33, prepared by Boswell Engineering Company, Ridgefield Park, New Jersey, along the following bearings and distances:

- A) South 10 degrees and 11 minutes and 03 seconds West, along the Westerly right of way line of the Garden State Parkway as described above, for a distance of 136.71 feet to a bend in the same; thence,
- B) South 05 degrees and 33 minutes and 26 seconds West, along the same, for a distance of 185.87 feet to a bend in the same; thence,
- C) South 09 degrees and 55 minutes and 07 seconds West, along the same, for a distance of 185.78 feet to a bend in the same; thence,
- D) South 14 degrees and 54 minutes and 37 seconds West, along the same, for a distance of 174.89 feet to a bend in the same; thence,
- E) South 20 degrees and 48 minutes and 46 seconds West, along the same, for a distance of 182.94 feet to a bend in the same; thence,
- F) South 25 degrees and 46 minutes and 10 seconds West, along the same, for a distance of 161.01 feet to a bend in the same; thence,
- G) South 28 degrees and 52 minutes and 02 seconds West, along the same, for a distance of 82.49 feet to the new Southerly line of Tax Map Lot 7 in Tax Map Block 1802, being the point and place of beginning and running from the beginning point hereindescribed; thence,

- 1) South 28 degrees and 52 minutes and 02 seconds West, along the Westerly right of way line of the Garden State Parkway as described above, for a distance of 95.64 feet to a bend in the same; thence,
- 2) South 34 degrees and 53 minutes and 01 seconds West, along the same, for a distance of 173.10 feet to a bend in the same; thence,
- 3) South 37 degrees and 55 minutes and 47 seconds West, along the same, for a distance of 183.83 feet to a bend in the same; thence,
- 4) South 41 degrees and 07 minutes and 31 seconds West, along the same, for a distance of 177.89 feet to a bend in the same; thence,
- 5) South 43 degrees and 34 minutes and 47 seconds West, along the same, for a distance of 171.17 feet to a bend in the same; thence,
- 6) South 47 degrees and 27 minutes and 33 seconds West, along the same, for a distance of 30.73 feet to its intersection with the Northerly right of way line of Summit Avenue extended, as laid down on a certain map entitled "Map Showing S.E. Wood - Summit Avenue Subdivision, West Hackensack, Midland Township, Bergen County, New Jersey", filed in the Bergen County Clerk 's Office on June 16, 1997 as Map No. 773; thence,
- 7) North 52 degrees and 20 minutes and 05 seconds West, along the Northerly right of way line of Summit Avenue extended, for a distance of 20.00 feet more or less to the centerline of Sprout Brook as it previously existed; thence,
- 8) Northerly, along the various courses of the "centerline of Sprout Brook as located in the field" as it formerly existed and laid down on a certain map entitled "New Jersey Highway Authority, Garden State Parkway, Section I, General Property Map", Sheets No. 29 and 30 of 33, prepared by Fay, Spofford & Thorndike, Consulting Engineers, Boston, Massachusetts and Clifton, New Jersey, for a distance of approximately 960 feet to its intersection with the aforementioned new Southerly line of Tax Map Lot 7 in Tax Map Block 1802; thence,
- 9) South 52 degrees and 36 minutes and 40 seconds East, along the new Southerly line of Tax Map Lot 7 in Tax Map Block 1802, for a distance of approximately 370 feet to the point and place of beginning.

TOGETHER with all right, title and interest in and to that certain limited Easement for Right of way as set forth in Deed Book 7796, Page 505, Bergen County, New Jersey.



EXHIBIT C

SCHEDULE OF PERMITTED LIENS AND ENCUMBRANCES

1. Liens and encumbrances reflected on the mark-up of title report as issued at closing of the Mortgage
2. The Fee Mortgage
3. The Ground Lease
4. The Guaranty
5. A mortgage securing a loan for the construction by the Ground Lessee of the initial improvements on the Property, provided (i) such mortgage is fully subordinated to the Fee Mortgage, (ii) the holder of such mortgage is and remains an entity which is a member of the IKEA Group of companies, (iii) neither such mortgage nor any participation in such mortgage may be sold, assigned, collateralized or securitized and (iv) such mortgage may not be recorded until all improvements funded by such loan have been fully completed and the Ground Lessee shall have taken possession and commenced operation of such improvements pursuant to the Ground Lease.

EXHIBIT D

FORM OF FEE MORTGAGE

[TO COME]

EXHIBIT E

LIMITED RECOURSE  
PROMISSORY NOTE

Amount: USD 68,000,000.00

October 2, 2001

FOR VALUE RECEIVED, ALX of Paramus LLC, a limited liability company organized under the laws of the State of Delaware with an office at 210 Route 4 East, Paramus, New Jersey 07652 (the "Borrower") unconditionally promises to pay to Svenska Handelsbanken AB (publ), including any branch, agency or other office located at 153 East 53rd Street, New York, New York 10022 (the "Bank"), the principal sum of Sixty-Eight Million US Dollars (USD 68,000,000) and to pay interest on the unpaid principal amount hereof at a rate per annum as set forth below.

This Note is issued pursuant to the terms of a loan agreement dated as of October 2, 2001 between the Borrower and the Bank (the "Loan Agreement"), and is subject to the terms thereof and is entitled to the benefits therein provided. In the event of any discrepancy between the terms hereof and the Loan Agreement, the Loan Agreement shall govern.

The principal hereof shall be repayable in installments in accordance with the terms of the Loan Agreement. Interest hereon shall accrue at the rates and be payable at the times and place in the manner set forth in the Loan Agreement. The principal and interest on this Note shall be payable in lawful money of the United States in immediately available funds without set-off or counterclaim.

Upon the occurrence of an Event of Default as defined in the Loan Agreement, the principal of and accrued interest on this Note may be declared due and payable in the manner and with the effect provided in the Loan Agreement, without presentment, demand, protest or notice of any kind, each of which is hereby expressly waived by the Borrower.

This Note may only be prepaid in accordance with the terms of the Loan Agreement.

This Note is secured by and entitled to the benefits of the Mortgage, Security Agreement and Fixture Financing Statement of this date (the "Mortgage"), between the Bank and the Borrower. In the event of non-payment of this Note, the Bank shall have no recourse to the Borrower personally, except as may be otherwise provided in the Loan Agreement.

The Borrower acknowledges that the Loan evidenced by this Note is a commercial transaction and waives its rights to notice and hearing allowed by any state or federal law with respect to any prejudgement remedy which the holder may desire to use, and further, waives diligence, demand, presentment for payment, notice of nonpayment, protest and notice of protest, and notice of any renewals or extensions of this note. The Borrower acknowledges that it makes this waiver knowingly, voluntarily, without duress and only after extensive consideration of the ramifications of this waiver with its attorney.

THE BORROWER WAIVES TRIAL BY JURY IN ANY COURT IN ANY SUIT, ACTION, PROCEEDING OR ANY MATTER ARISING IN CONNECTION WITH OR IN ANY WAY RELATED TO THIS NOTE OR THE FINANCING TRANSACTION OF WHICH THIS NOTE IS A PART OF THE DEFENSE OR ENFORCEMENT OF ANY OF THE HOLDER'S RIGHTS AND REMEDIES IN CONNECTION THEREWITH. THE BORROWER ACKNOWLEDGES THAT IT MAKES THIS

WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS AND ONLY AFTER EXTENSIVE CONSIDERATION OF THE RAMIFICATIONS OF THIS WAIVER WITH ITS ATTORNEY.

This Note shall be governed by and interpreted in accordance with the laws of the State of New York.

Executed as of the date set forth above.

ALX OF PARAMUS LLC

Attest: /s/ Patrick Hogan

By: /s/ Joseph Macnow  
Name: Joseph Macnow  
Title: Executive Vice President  
Finance and Administration



NOTICE OF BORROWING

EXHIBIT G

ESCROW INSTRUCTIONS

THESE ESCROW INSTRUCTIONS ("Escrow Instructions"), dated as of October 4, 2001, are by and among Svenska Handelsbanken AB (publ), a banking corporation organized under the laws of the Kingdom of Sweden, including any branch, agency or other office thereof located at 153 East 53rd Street, 37th Floor, New York, NY 10022 ("BANK"), ALX of Paramus LLC, a limited liability company organized under the laws of the State of Delaware ("BORROWER"), IKEA Property, Inc., a corporation organized under the laws of the State of Delaware ("LESSEE"), and The Bank of New York, a corporation organized under the laws of the State of New York, as escrow agent ("Escrow Agent").

WHEREAS, simultaneously herewith BORROWER, as Lessor, is entering into a Ground Lease with LESSEE, dated as of the date hereof, pursuant to which LESSEE will lease certain Property (as defined therein) from BORROWER for a term of forty (40) years; and

WHEREAS, simultaneously herewith BORROWER is entering into a Loan Agreement, dated as of the date hereof, with BANK pursuant to which BANK will lend to BORROWER, the principal amount of USD 68,000,000 for a term of ten (10) years (the "Loan"); and

WHEREAS, pursuant to the Loan Agreement, BORROWER has agreed to secure the Loan by, among others, assignment to BANK of (i) leases and rents relating to the Property, including (but not limited to) the Ground

Lease and rents thereunder, and (ii) a Guaranty and Agreement dated as of the date hereof from Ikea Holding US, Inc., a Delaware corporation, as guarantor ("GUARANTOR"), pursuant to which GUARANTOR has guaranteed LESSEE's obligations under the Ground Lease; and in furtherance thereof BORROWER is entering into an Assignment of Leases and Rents dated as of the date hereof ("Assignment"); and

WHEREAS, BORROWER, LESSEE and BANK desire to enter into these Escrow Instructions in furtherance of the Loan Agreement and the Ground Lease for the purpose of establishing payment procedures in respect of (i) Fixed Rent (as defined in the Ground Lease) payable by LESSEE under the Ground Lease; and (ii) interest payable by BORROWER to BANK pursuant to the Loan Agreement; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of these Escrow Instructions do exist, have happened and have been performed in due time, form and manner as required by law and the parties hereto are duly authorized to execute and deliver these Escrow Instructions.

NOW, THEREFORE, in furtherance of the Assignment to secure the payment of interest payable under the Loan Agreement out of Fixed Rent payable under the Ground Lease, for the benefit of BANK, and its successors and assigns, and intending to be legally bound hereby, BORROWER, LESSEE and BANK have entered into these Escrow Instructions to Escrow Agent, and hereby confirm and agree that Escrow Agent, acting as agent for BANK, to the extent of Loan Interest payable under the Loan Agreement, has a first priority security interest in all funds paid to Escrow Agent hereunder, and in all accounts, and funds therein, together with all monies, documents, instruments, receipts and investments now or hereafter acquired by Escrow Agent hereunder in its capacity as such, and all general intangibles and accounts (as those terms are defined by the New York Uniform Commercial Code) of BORROWER or LESSEE arising from or related to the funds and security interest described in these Escrow Instructions, both those now in existence and those that shall hereafter arise, together with the proceeds thereof (the "Collateral") and that Escrow Agent is receiving, holding and disbursing the Collateral as agent for the BANK.

TO HAVE AND TO HOLD, the Collateral to Escrow Agent and its successors and its assigns forever for the benefit of the BANK, as security, as set forth herein, subject to the covenants and conditions hereinafter set forth.

Article 1  
DEFINITIONS AND RULES OF USAGE

As used herein, unless the context otherwise requires, capitalized terms used and not defined herein shall have the respective meanings assigned to them in the Loan Agreement (a copy of which will be provided to Escrow Agent by the Bank), and are incorporated herein by reference. In addition, the following terms used herein shall have the following meanings:

"Eligible Institution" shall mean a bank or trust company formed under the laws of the United States or any State thereof, or a State-registered branch of a foreign bank, in any case with aggregate assets or funds held in trust in excess of USD \$1 billion.

"Loan Interest" shall mean interest payable at the Applicable Rate or the Default Interest Rate, as the case may be, as defined in the Loan Agreement.

"Operative Documents" shall mean the Loan Agreement, the Assignment and the Ground Lease.

"Permitted Investments" shall mean a money market fund having a rating of at least AaM or AaM-G by S&P or equivalent by Moody's.

Article 2  
ESTABLISHMENT OF ESCROW ACCOUNT; STATUS OF PARTIES

2.1 Escrow Account. There is hereby established with Escrow Agent a special account designated the "ALX PARAMUS Escrow Account", herein referred to as the "Escrow Account". Escrow Agent shall maintain the Escrow Account, separate and apart from all other funds and monies held by it, and shall deposit into, withdraw and transfer any sums contained therein only as provided in these Escrow Instructions. Escrow Agent shall administer and maintain the Escrow Account in accordance with the terms of these Escrow Instructions.

2.2 Ownership of the Escrow Account. BORROWER is the owner of the Escrow Account for Federal income tax purposes and will be subject to Federal income tax on the net earnings, if any, of the Escrow Account, but shall not be entitled to possession of any funds on deposit in the Escrow Account, until the earlier of such time as (x) the liens of the Assignment have been released and discharged or (y) such funds have been transferred to BORROWER from the Escrow Account in accordance with Article 3 hereof.

2.3 Capacity of Escrow Agent.

(a) Escrow Agent as Agent for the BANK. Escrow Agent is acting hereunder as agent of and solely for the benefit of the BANK, for purposes of receiving, holding and disbursing such monies and investments (collectively, "Escrow Property") as are at any time held by Escrow Agent in the Escrow Account pursuant to these Escrow Instructions and in disbursing, transferring, and otherwise handling such Escrow Property. Escrow Agent is holding such Escrow Property and security interest subject to the terms, conditions and provisions hereof. Subject to



the terms and conditions hereof, Escrow Agent, for the benefit of the BANK, shall have sole dominion and control of the Escrow Account, and, provided that Escrow Agent shall comply with the terms hereof, BORROWER shall have no rights of withdrawal therefrom prior to disbursement to BORROWER from the Escrow Account and the release and discharge of such security interest as provided herein.

(b) Acceptance of Appointment. Escrow Agent hereby accepts its appointment and agrees to act as set forth in these Escrow Instructions. Each of the parties hereto consents to the appointment of Escrow Agent and to the acceptance by Escrow Agent of such appointment.

2.4 Direction of Payments to Escrow Agent. BORROWER hereby irrevocably directs LESSEE to make all payments of Fixed Rent (or payments in lieu thereof) under or pursuant to the Ground Lease to Escrow Agent (collectively, "Assigned Payments") for disbursement as hereinafter provided. BORROWER and LESSEE shall cause all payments of Assigned Payments to be made to Escrow Agent and Escrow Agent shall disburse such payments in accordance with these Escrow Instructions. BORROWER will cause any payments of Assigned Payments mistakenly made to BORROWER by LESSEE to be promptly paid over to Escrow Agent hereunder. BORROWER, upon request of Escrow Agent, promptly shall execute and deliver any instrument, assignment or other instruction consistent with or in furtherance of the direction of all payments of Assigned Payments to Escrow Agent pursuant to this Section 2.4.

### Article 3

#### ESTABLISHMENT AND ADMINISTRATION OF ACCOUNT;

##### Receipt and Disbursement of Monies Received By Escrow Agent

##### 3.1 Escrow Account, Payment Instructions; Flow of funds.

(a) DEPOSIT OF MONIES RECEIVED. All payment of Assigned Payments received by Escrow Agent shall immediately be deposited in the Escrow Account for application as set forth herein. All Assigned Payments received by BORROWER shall be promptly turned over to Escrow Agent for deposit into the Escrow Account.

(b) Flow of funds. Promptly upon the receipt by Escrow Agent of any Assigned Payment, Escrow Agent shall apply such Assigned Payment in the order and according to the priorities set forth below:

(i) by transferring to the BANK any amounts certified by the BANK to Escrow Agent as being due and owing thereto in respect of Loan Interest; and

(ii) by transferring to BORROWER all remaining funds.

provided that if BANK shall not have given Escrow Agent a Payment Notice (as hereinafter in Section 3.2 provided) as to the amount of Loan Interest or Default Interest, as the case may be, to be paid to BANK out of any Fixed Rent payment, such Fixed Rent payment shall be maintained by Escrow Agent in the Escrow Account until receipt of such Payment Notice. Pending receipt of such Payment Notice, Escrow Agent shall invest such funds in Permitted Investments with the shortest possible maturities in accordance with written instructions from BANK.

(c) Escrow Account Shortfall. If there are insufficient funds on deposit in the Escrow Account to pay the Loan Interest or Default Interest, as the case may be, on any Interest Payment Date in accordance with a Payment Notice delivered to Escrow Agent, Escrow Agent shall (i) pay such amounts as shall be held in the Escrow Account to BANK and (ii) shall give notice of the shortfall to BORROWER, LESSEE and BANK. Upon receipt of funds which BORROWER or LESSEE indicates in writing are intended to cover such shortfall amount from BORROWER or LESSEE, Escrow Agent shall promptly pay such shortfall amount to BANK.

(d) Closing of Escrow Account. Upon written notice from BANK that no amounts remain unpaid pursuant to the Loan Agreement, the balance, if any, in the Escrow Account shall be transferred to BORROWER and the Escrow Account shall be closed. BANK will give Escrow Agent prompt written notice when no amounts remain unpaid pursuant to the Loan Agreement.

(e) Commingling of Investments. All investments made by Escrow Agent pursuant to Section 3.1(b) shall be held in the name of Escrow Agent, and shall be held by Escrow Agent as agent of BANK. For purposes of investment, Escrow Agent may commingle monies in the Escrow Account.

(f) Payment Method. All payments of Fixed Rent to Escrow Agent, and all disbursements or investment of monies by Escrow Agent shall be made by bank wire transfer in immediately available funds in accordance with written instructions to be provided to the parties by Escrow Agent. Payments to any party hereunder shall be made to such account(s) as such party shall have advised Escrow Agent by written notice.

3.2 PAYMENT NOTICE. Simultaneous with the execution hereof, and from time thereafter as appropriate (and in any event not later than two (2) days prior to an Interest Payment Date (as specified on the Payment Notice)), BANK shall give to Escrow Agent, with copies to BORROWER and LESSEE, a Payment Notice which

sets forth (i) the amount of Loan Interest or Default Interest (as the case may be) due and payable on such Interest Payment Date and (ii) the due date of such payment. Such Payment Notice shall be binding and conclusive on Escrow Agent unless prior to disbursement in respect thereof Escrow Agent shall have received from BORROWER a written objection to the amount of such interest payment set forth in the Payment Notice, in which event Escrow Agent shall continue to hold any funds received in the Escrow Account pending receipt of a joint statement from BANK and BORROWER as to the amount due in respect of such interest payment.

Article 4  
Terms and Conditions

4.1 Escrow Agent Duties. The duties, responsibilities and obligations of Escrow Agent shall be limited to those expressly set forth herein and no duties, responsibilities or obligations shall be inferred or implied. Escrow Agent shall not be subject to, nor required to comply with, any other agreement between or among LESSEE, BORROWER or BANK or to which any of them is a party, even though reference thereto may be made herein, or to comply with any direction or instruction (other than those contained herein or delivered in accordance with these Escrow Instructions) from LESSEE, BORROWER or BANK or any entity acting on its behalf. Escrow Agent shall not be required to, and shall not, expend or risk any of its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder.

4.2 Beneficiaries. These Escrow Instructions are for the exclusive benefit of the parties hereto and their respective successors and permitted assigns hereunder, and shall not be deemed to give, either express or implied, any legal or equitable right, remedy, or claim to any other entity or person whatsoever.

4.3 Compliance With Orders. If at any time Escrow Agent is served with any judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process which in any way affects Escrow Property (including but not limited to orders of attachment or

garnishment or other forms of levies or injunctions or stays relating to the transfer of Escrow Property), Escrow Agent is authorized to comply therewith in any manner as it or its legal counsel of its own choosing deems appropriate; and if Escrow Agent complies with any such judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process, Escrow Agent shall not be liable to any of the parties hereto or to any other person or entity even though such order, judgment, decree, writ or process may be subsequently modified or vacated or otherwise determined to have been without legal force or effect.

4.4 (a) Limitations on Liability. Escrow Agent shall not be liable for any action taken or omitted or for any loss or injury resulting from its actions or its performance or lack of performance of its duties hereunder in the absence of bad faith, gross negligence or willful misconduct on its part. In no event shall Escrow Agent be liable (i) for acting in accordance with or relying upon any instruction, notice, demand, certificate or document from LESSEE, BORROWER or BANK or any entity acting on such party's behalf, (ii) for any consequential, punitive or special damages, (iii) for the acts or omissions of its nominees, correspondents, designees, subagents or subcustodians, or (iv) for an amount in excess of the value of the Escrow Property, valued as of the date of deposit.

(b) Non-Payment of Fees. If any fees, expenses or costs incurred by, or any obligations owed to, Escrow Agent hereunder are not promptly paid when due, Escrow Agent may reimburse itself therefor from the Escrow Property and may sell, convey or otherwise dispose of any Escrow Property for such purpose.

(c) Security Interest of Escrow Agent. As security for the due and punctual performance of any and all obligations of BORROWER, BANK and LESSEE to Escrow Agent hereunder, now or hereafter arising, of BORROWER, BANK and LESSEE, individually and collectively, hereby pledge, assign and grant to Escrow Agent a continuing security interest in, and a lien on, the Escrow Property and all distributions thereon or additions thereto (whether such additions are the result of deposits by LESSEE, BORROWER or BANK or the investment of Escrow Property). The security interest of Escrow Agent shall at all times be valid, perfected and enforceable by Escrow Agent against LESSEE, BORROWER or BANK and all third parties in accordance with the terms of these Escrow Instructions.

(d) Consultation with Counsel. Escrow Agent may consult with legal counsel at the expense of the LESSEE, BORROWER and/or BANK as to any matter relating to these Escrow Instructions, and Escrow Agent shall not incur any liability in acting in good faith in accordance with any advice from such counsel.

(e) Force Majeure. Escrow Agent shall not incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of Escrow Agent (including but not limited to any act or provision of any present or future law or regulation or governmental authority, any act of God or war, or the unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility).

4.5 Collection of Funds. Unless otherwise specifically set forth herein, Escrow Agent shall proceed as soon as practicable to collect any checks or other collection items at any time deposited hereunder. All such collections shall be subject to Escrow Agent's usual collection practices or terms regarding items received by Escrow Agent for deposit or collection. Escrow Agent shall not be required, or have any duty, to notify anyone of any payment or maturity under the terms of any instrument deposited hereunder, nor to take any legal action to enforce payment of any check, note or security deposited hereunder or to exercise any right or privilege which may be afforded to the holder of any such security.

4.6 Monthly Statements. Escrow Agent shall provide to LESSEE, BORROWER, and BANK monthly statements identifying transactions, transfers or holdings of Escrow Property and each such statement shall be deemed to be correct and final upon receipt thereof by the LESSEE, BORROWER and BANK unless Escrow Agent is notified in writing to the contrary within thirty (30) business days of the date of such statement.

4.7 Disclaimer. Escrow Agent shall not be responsible in any respect for the form, execution, validity, value or genuineness of documents or securities deposited hereunder, or for any description therein, or for the identity, authority or rights of persons executing or delivering or purporting to execute or deliver any such document, security or endorsement.

4.8 Notices. Notices, instructions or other communications shall be in writing and shall be personally delivered, transmitted by postage prepaid registered or certified mail, or by facsimile, to the parties as follows:

To BORROWER: ALX of Paramus LLC  
c/o Vornado Realty Trust  
210 Route 4 East  
Paramus, NJ 07652  
Attn: Chief Financial Officer  
Facsimile No.: (201) 708-6210

ALX of Paramus LLC  
c/o Vornado Realty Trust  
210 Route 4 East  
Paramus, NJ 07652  
Attn: Vice President-Real Estate  
Facsimile No.: (201) 708-6207

With a copy (for information purposes only) to: Winston & Strawn  
200 Park Avenue  
New York, NY 10166-4193  
Attn: Neil Underberg, Esq.  
Facsimile No.: (212) 294-4700

To BANK: Svenska Handelsbanken AB (publ)  
153 East 53rd Street, 37th Floor  
New York, New York 10022  
Attn: Corporate Banking Department  
Facsimile No.: (212) 326-5110

With a copy (for information purposes

only) to: Sussman Sollis Ebin Tweedy & Wood, LLP  
767 Fifth Avenue, 8th Floor  
New York, NY 10153-0898  
Attn: Robert F. Ebin, Esq.  
Facsimile No.: (212) 688-8386

To LESSEE: IKEA Property Inc.  
496 West Germantown Pike  
Plymouth Meeting, Pennsylvania 19462  
Attention: President  
Facsimile No.: (610) 567-2856

With a copy (for  
information purposes  
only) to: Marvin, Larsson, Henkin & Scheuritzel  
1500 Market Street, Centre Square West  
  
Suite 3510  
Philadelphia, Pennsylvania 19102  
Attention: David J. Larsson, Esq.  
Facsimile No.: (216) 656-4202

TO ESCROW AGENT:  
THE BANK OF NEW YORK  
  
c/o United States Trust Company  
114 West 47th Street  
New York, NY 10036  
Attention: Corporate Trust Department  
Facsimile No.: (212) 852-1625

Copies of such notices, for information purposes only, shall be transmitted by mail to counsel to the parties, as the parties may from time to time designate. All notices and other communications shall be deemed to have been duly given on the date of receipt if delivered personally; on the date five days after posting if transmitted by United States mail; or in the case of a facsimile, at the time sent; provided that any notice to be given to Escrow Agent shall be effective only when actually received by Escrow Agent's Corporate Trust Department. Any party may change its address for purposes hereof by notice to the other parties hereto. Escrow Agent is authorized to comply with and rely upon any notices, instructions or other communications believed by it to have been sent or given by LESSEE, BORROWER or BANK or by a person or persons authorized by LESSEE, BORROWER or BANK. Whenever under the

terms hereof the time for giving a notice or performing an act falls upon a Saturday, Sunday, or banking holiday, such time shall be extended to the next day on which Escrow Agent is open for business.

4.9 Indemnities. LESSEE, BORROWER and BANK, jointly and severally, shall be liable for and shall reimburse and indemnify Escrow Agent, its agents, attorneys and employees and hold Escrow Agent, its agents, attorneys and employees harmless from and against any and all claims, losses, liabilities, costs, damages or expenses (including reasonable attorneys' fees and expenses) (collectively, "Losses") arising from or in connection with or related to these Escrow Instructions or being Escrow Agent hereunder (including but not limited to Losses incurred by Escrow Agent in connection with its successful defense, in whole or in part, of any claim of bad faith, gross negligence or willful misconduct on its part), provided, however, that nothing contained herein shall require Escrow Agent to be indemnified for Losses caused by its gross negligence or willful misconduct.

4.10 Removal or Resignation of Escrow Agent. (a) LESSEE, BORROWER and BANK may remove Escrow Agent at any time by giving to Escrow Agent thirty (30) calendar days' prior notice in writing signed by the LESSEE, BORROWER and BANK. Escrow Agent may resign at any time by giving to LESSEE, BORROWER and BANK thirty (30) calendar days' prior written notice thereof.

(b) Within ten (10) calendar days after giving the foregoing notice of removal to Escrow Agent or receiving the foregoing notice of resignation from Escrow Agent, LESSEE, BORROWER and BANK shall jointly agree on and appoint a successor Escrow Agent. If a successor Escrow Agent has not accepted such appointment by the end of such 10-day period, Escrow Agent may, in its sole discretion, deliver the Escrow Property to BANK at the address provided herein or may apply to a court of competent jurisdiction for the appointment of a successor Escrow Agent or for other appropriate relief. The costs and expenses (including reasonable attorneys' fees and expenses) incurred by Escrow Agent in connection with such proceeding shall be paid by, and be deemed a joint and several obligation of, the LESSEE, BORROWER and BANK.



(c) Upon receipt of the identity of the successor Escrow Agent, and such successor Escrow Agent's written agreement to be bound by these Escrow Instructions, Escrow Agent shall either deliver the Escrow Property then held hereunder to the successor Escrow Agent, less Escrow Agent's fees, costs and expenses or other obligations owed to Escrow Agent, or hold such Escrow Property (or any portion thereof), pending distribution, until all such fees, costs and expenses or other obligations are paid.

(d) Upon delivery of the Escrow Property to successor Escrow Agent, Escrow Agent shall have no further duties, responsibilities or obligations hereunder.

(e) Any corporation into which Escrow Agent may be merged or consolidated, or any corporation resulting from any merger, conversion or consolidation to which Escrow Agent shall be a party, or any corporation succeeding to the business of Escrow Agent, which executes an agreement of assumption to perform every obligation of Escrow Agent hereunder and (in the case of a person other than Escrow Agent) shall be the successor of Escrow Agent hereunder, without the execution or filing of any document or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

4.11 Ambiguities or Disputes. (a) In the event of any ambiguity or uncertainty hereunder or in any notice, instruction or other communication received by Escrow Agent hereunder, Escrow Agent may, in its sole discretion, refrain from taking any action other than retaining possession of the Escrow Property, unless Escrow Agent receives written instructions, signed by LESSEE, BORROWER and BANK, which eliminate such ambiguity or uncertainty.

(b) In the event of any dispute between or conflicting claims by or among the LESSEE, BORROWER and BANK and/or any other person or entity with respect to any Escrow Property, Escrow Agent shall be entitled, in its sole discretion, to refuse to comply with any and all claims, demands or instructions with

respect to such Escrow Property so long as such dispute or conflict shall continue, and Escrow Agent shall not be or become liable in any way to the LESSEE, BORROWER or BANK for failure or refusal to comply with such conflicting claims, demands or instructions. Escrow Agent shall be entitled to refuse to act until, in its sole discretion, either (i) such conflicting or adverse claims or demands shall have been determined by a final order, judgment or decree of a court of competent jurisdiction, which order, judgment or decree is not subject to appeal, or settled by agreement between the conflicting parties as evidenced in a writing satisfactory to Escrow Agent or (ii) Escrow Agent shall have received security or an indemnity satisfactory to it sufficient to hold it harmless from and against any and all Losses which it may incur by reason of so acting. Escrow Agent may, in addition, elect, in its sole discretion, to commence an interpleader action or seek other judicial relief or orders as it may deem, in its sole discretion, necessary. The costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with such proceeding shall be paid by, and shall be deemed a joint and several obligation of, LESSEE, BORROWER and BANK.

4.12 Governing Law. These Escrow Instructions shall be interpreted, construed, enforced and administered in accordance with the internal substantive laws (and not the choice of law rules) of the State of New York. LESSEE, BORROWER and BANK hereby submit to the personal jurisdiction of and each agrees that all proceedings relating hereto shall be brought in courts located within the Borough of Manhattan in the City and State of New York. Each of LESSEE, BORROWER and BANK hereby waives the right to trial by jury and to assert counterclaims in any such proceedings. To the extent that in any jurisdiction LESSEE, BORROWER or BANK may be entitled to claim, for itself or its assets, immunity from suit, execution, attachment (whether before or after judgment) or other legal process, each hereby irrevocably agrees not to claim, and hereby waives, such immunity. Each of LESSEE, BORROWER and BANK waives personal service of process and consent to service of process by certified or registered mail, return receipt requested, directed to it at the addresses last specified for notices hereunder, and such service shall be deemed completed five (5) calendar days after the same is so mailed.

4.13 Amendment. Except as otherwise permitted herein, these Escrow Instructions may be modified only by a written amendment signed by all the parties hereto, and no waiver of

any provision hereof shall be effective unless expressed in a writing signed by the party to be charged.

4.14 Waivers. The rights and remedies conferred upon the parties hereto shall be cumulative, and the exercise or waiver of any such right or remedy shall not preclude or inhibit the exercise of any additional rights or remedies. The waiver of any right or remedy hereunder shall not preclude the subsequent exercise of such right or remedy.

4.15 Due Authorization. Each of LESSEE, BORROWER and BANK, singly and not jointly, hereby represents and warrants (a) that these Escrow Instructions have been duly authorized, executed and delivered on its behalf and constitute its legal, valid and binding obligation and (b) that the execution, delivery and performance of these Escrow Instructions by it do not and will not violate any applicable law or regulation.

4.16 Partial Invalidity. The invalidity, illegality or unenforceability of any provision of this Agreement shall in no way affect the validity, legality or enforceability of any other provision; and if any provision is held to be enforceable as a matter of law, the other provisions shall not be affected thereby and shall remain in full force and effect.

4.17 Entire Agreement. These Escrow Instructions shall constitute the entire agreement of the parties with respect to the subject matter and supersedes all prior oral or written agreements in regard thereto.

4.18 Termination. This Agreement shall terminate upon the distribution of all Escrow Property to be paid into and distributed from the Escrow Account. The provisions of this Article 4 shall survive termination of these Escrow Instructions and/or the resignation or removal of Escrow Agent.

4.19 Reference to The Bank of New York and IKEA. Except for any disclosure required by law (or among the parties and their counsel), no printed or other material in any language, including prospectuses, notices, reports, and promotional material (I) which mentions "The Bank of New York" by name or the rights, powers, or duties of Escrow Agent under these Escrow Instructions shall be issued by any other parties hereto, or on such party's behalf, without the prior written consent of Escrow Agent, or (ii) which mentions LESSEE (or any IKEA entity) by name, shall be issued by Escrow Agent, without the prior written consent of LESSEE.

4.20 Headings. The headings contained in these Escrow Instructions are for convenience of reference only and shall have no effect on the interpretation or operation hereof.

4.21 Counterparts. These Escrow Instructions may be executed by each of the parties hereto in any number of counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all such counterparts shall together constitute one and the same agreement.

4.22 Tax Matters. Escrow Agent does not have any interest in the Escrowed Property deposited hereunder but is serving as escrow holder only and having only possession thereof. BORROWER shall pay or reimburse Escrow Agent upon request for any transfer taxes or other taxes relating to the Escrowed Property

incurred in connection herewith and shall indemnify and hold harmless Escrow Agent any amounts that it is obligated to pay in the way of such taxes. Any payments of income from the Escrow Account shall be subject to withholding regulations then in force with respect to United States taxes. The parties hereto will provide Escrow Agent with appropriate W-9 forms for tax I.D., number certifications, or W-8 forms for non-resident alien certifications. It is understood that Escrow Agent shall be responsible for income reporting only with respect to income earned on investment of funds which are a part of the Escrowed Property and is not responsible for any other reporting. This paragraph and paragraph 4.9 shall survive notwithstanding any termination of these Escrow Instructions or the resignation of Escrow Agent.

4.23 Compensation of Escrow Agent. Except as provided in this Section 4.23, Escrow Agent agrees that it shall have no rights against BORROWER, LESSEE or BANK for any fee as compensation for its services hereunder.

- (i) BORROWER shall pay Escrow Agent an annual fee of \$6,000, payable upon execution of this Agreement and thereafter on each anniversary date of this Agreement. The annual fee shall be pro-rated for any portion of a year.
- (ii) BORROWER shall be responsible for and shall reimburse Escrow Agent upon demand for all out-of-pocket expenses, disbursements and advances incurred or made by Escrow Agent in connection with these Escrow Instructions, except any such expense, disbursement or advance as may be attributable of its own negligence, willful misconduct or bad faith.

4.24 Certain Notices. Escrow Agent shall give to BANK, LESSEE and BORROWER copies of all certificates, agreements, determinations, notices and documents received by it (other than from such party) pursuant to these Escrow Instructions.

4.25 Notice of Non-Receipt of Assigned Payments. Escrow Agent shall notify BANK, LESSEE and BORROWER if LESSEE has failed to pay any payment of Assigned Payments by the third Banking Day after the date such payment is due.

4.26 Records. Escrow Agent shall be responsible for the keeping a copy of these Escrow Instructions and all appropriate books and records relating to the receipt and disbursements of all monies that may be received as Escrow Agent under these Escrow Instructions or under any other Operative Document and shall, upon request of LESSEE, BORROWER or BANK make available such books and records at its principal escrow office during normal business hours for inspection and copying. Escrow Agent shall not be liable for any tax due and payable except for any tax based on or measured by amounts paid to Escrow Agent as fees and compensation in connection with the transactions contemplated hereby.

4.27 Recording and Filing. BANK shall be responsible for the recording and filing in the appropriate governmental offices of financing statements, continuation statements and any supplemental instruments or documents of further assurance as may be required by law or requested by the BANK or Escrow Agent in order to perfect the security interests created by the Operative Documents or these Escrow Instructions.

4.28 Assignment. These Escrow Instructions may not be assigned by BORROWER or LESSEE, except upon written consent of BANK (which may be given or withheld in BANK's sole discretion).

4.29 Binding on Successors. These Escrow Instructions shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. A purchaser of the Escrow Property at a foreclosure sale or a deed-in-lieu of foreclosure sale shall be deemed to be the successor to BANK hereunder.

4.30 Further Assurances. Each party hereto will promptly and duly execute and deliver such further documents to make such further assurances for and take such further action reasonably requested by any party to whom such first party is obligated, all as may be reasonably necessary to carry out more effectively the intent and purpose of these Escrow Instructions in accordance with the other Operative Documents.

IN WITNESS WHEREOF, the parties have caused these Escrow Instructions to be executed by their duly authorized representatives as of the date first above written.

BANK  
SVENSKA HANDELSBANKEN AB (publ)

By: /s/ Jonas Daun  
Name and Title: Jonas Daun,  
SENIOR VICE PRESIDENT

BY: /S/ MARK CLEARY  
Name and Title: Mark Cleary  
Senior Vice President

BORROWER

ALX OF PARAMUS LLC

By: /s/ Joseph Macnow  
Name and Title: Joseph Macnow  
Executive Vice President  
Finance and Administration

ESCROW AGENT

THE BANK OF NEW YORK

By: /s/ H. William Weber  
Name and Title: H. William Weber,  
Authorized Signer

LESSEE

IKEA PROPERTY, INC.

By: /s/ Michael McDonald  
Name and Title: Michael McDonald  
President

EXHIBIT H

PROPOSED SUBTENANT LOCATIONS

[TO COME]



MORTGAGE, SECURITY AGREEMENT  
AND FIXTURE FINANCING STATEMENT

THIS MORTGAGE, SECURITY AGREEMENT AND FIXTURE FINANCING STATEMENT (this "Mortgage") is made as of October 2, 2001, by ALX OF PARAMUS LLC, a Delaware limited liability company, with a mailing address of 210 Route 4 East, Paramus, New Jersey 07652, Attention: Chief Financial Officer ("Borrower") to SVENSKA HANDELSBANKEN AB (publ) ("Lender"), with a mailing address of 153 East 53rd Street, 37th Floor, New York, New York 10022, Attention: Corporate Banking Department and pertains to the real estate described in Exhibit A attached hereto and made a part hereof (the "Premises").

## I

## RECITALS

A. Borrower executed and delivered to Lender a certain limited recourse promissory note of even date herewith (together with all renewals, amendments, supplements, restatements, extensions and modifications thereof and thereto, the "Note"), wherein Borrower promises to pay to the order of Lender the principal amount of Sixty-Eight Million (\$68,000,000.00) Dollars, in repayment of a loan in like amount (the "Loan") from Lender in accordance with the terms of the Note, together with interest thereon, at variable rates of interest and otherwise as set forth in the Note, which Note is due and payable on the Maturity Date (as defined in the Note); and

B. As security for the repayment of the Loan, in addition to this Mortgage, certain other loan documents have been executed and delivered to Lender (the Note; this Mortgage; that certain Loan Agreement (the "Loan Agreement") of even date herewith executed by Lender and Borrower; that certain Environmental Indemnity Agreement of even date herewith made by Borrower for the benefit of Lender; that certain Assignment of Leases and Rents of even date herewith made by Borrower for the benefit of Lender pursuant to which, among other things, Borrower assigned to Lender all of Borrower's right, title and interest in and to (i) the Ground Lease (as hereafter defined) and all subleases thereunder, including but not limited to the rents payable under the Ground Lease or under any subleases thereof, and (ii) the Purchase Option (as defined in Section 46 of the Ground Lease) and certain of the proceeds thereof; and (iii) the Guaranty (as hereafter defined); and all other documents or instruments executed and/or delivered by Borrower as additional evidence of, or security for repayment of, the Loan, whether now or hereafter existing, and all renewals, amendments, supplements, restatements, extensions, and modifications thereof and thereto. All of the foregoing are hereinafter sometimes collectively referred to as the "Loan Documents". The terms and provisions of the other Loan Documents are hereby incorporated herein by this reference.

C. In consideration of advances, credits and other financial accommodations heretofore or hereinafter made to Borrower by Lender, Lender has required Borrower hereby to deliver, pledge, assign, transfer, mortgage and warrant to Lender the Mortgaged Property (as that term is hereinafter defined) as security for repayment of the Loan as well as any and

all other amounts now or hereafter owed to Lender under the terms of the Loan Documents. All capitalized terms not expressly defined herein shall have the same meanings as set forth in the Loan Documents.

## II

### THE GRANT

NOW, THEREFORE, to secure the payment of the principal amount of the Note and interest thereon (at variable rates and as otherwise provided therein) and all fees and premiums, if any, thereon, and all other sums due thereunder or advanced by Lender and all costs and expenses incurred by Lender in connection with any of the Loan Documents (all such obligations and payments are sometimes referred to herein as the "indebtedness secured hereby") and to secure the observance and performance of the agreements contained herein and in the other Loan Documents, Borrower hereby GRANTS, BARGAINS, ASSIGNS, WARRANTS, CONVEYS, TRANSFERS, PLEDGES, SETS OVER, GRANTS A SECURITY INTEREST and MORTGAGES to Lender, its successors and assigns, forever all of Borrower's estate, right, title and interest, whether now or hereafter acquired, in and to the Premises, together with all of the Borrower's estate, right, title and interest in and to the following described property, whether now or hereafter acquired (the Premises, together with a security interest in and a lien on the following described property being hereinafter referred to collectively as the "Mortgaged Property"), all of which other property is hereby pledged on a parity with the Premises and not secondarily:

(a) All buildings and other improvements of every kind and description now or hereafter erected or placed thereon and all materials intended for construction, reconstruction, alteration and repair of such improvements now or hereafter erected thereon, all of which materials shall be deemed to be included within the Mortgaged Property immediately upon the delivery thereof to the Premises;

(b) All right, title and interest of Borrower, including, without limitation, any after-acquired title or reversion, in and to the beds of the ways, strips and gores, streets, avenues, sidewalks and alleys adjoining the Premises;

(c) Each and all of the tenements, hereditaments, easements, appurtenances, passages, waters, water courses, riparian rights and any and all other rights, liberties and privileges of the Premises or in any way now or hereafter appertaining thereto, including homestead and any other claim at law or in equity, as well as any after-acquired title, franchise or license and the reversions and remainders thereof;

(d) All leases (and any and all guaranties thereof) now or hereafter on or affecting the Premises, or any part thereof, whether written or oral, including but not limited to (i) that certain lease (the "Ground Lease") dated as of October 4, 2001 by and between Borrower, as landlord and IKEA Property, Inc., a Delaware corporation, as tenant (the "Ground Lessee"); (ii) that certain guaranty and agreement (the "Guaranty") dated as of October 4, 2001, made by IKEA Holding US, Inc., a Delaware corporation (the "Guarantor") for the benefit of Borrower and Lender of all

obligations of the Ground Lessee then existing or thereafter arising under the Ground Lease; and all other agreements for use of the Premises, or any part thereof, including but not limited to all subleases in which the Ground Lessee is the sublandlord (and any and all guaranties thereof) now or hereafter on or affecting the Premises, or any part thereof, whether written or oral, together with all rents, issues, deposits, profits and other benefits now or hereafter arising from or in respect of the Premises accruing and to accrue from the Premises and the avails thereof, including but not limited to the rent payable under the Ground Lease or any subleases thereof and the proceeds, if any, of the purchase option granted in the Ground Lease.

(e) All fixtures and personal property now or hereafter owned by Borrower and attached to, contained in or used in connection with the Premises or the aforesaid improvements thereon, including, without limitation, any and all air conditioners, antennae, appliances, apparatus, awnings, basins, bathtubs, boilers, bookcases, cabinets, carpets, coolers, curtains, dehumidifiers, disposals, doors, drapes, dryers, ducts, elevators, engines, equipment, escalators, fans, fittings, floor coverings, furnaces, furnishings, furniture, hardware, heaters, humidifiers, incinerators, inventory, lighting, machinery, motors, ovens, pipes, plumbing, pumps, radiators, ranges, recreational facilities, refrigerators, screens, security systems, shades, shelving, sinks, sprinklers, stoves, toilets, ventilators, wall coverings, washers, windows, window coverings, wiring and all renewals or replacements thereof or articles in substitution therefor, whether or not the same be attached to such improvements, it being agreed that all such property now or hereafter owned by Borrower and (i) placed, constructed or installed on the Premises (by Borrower, Ground Lessee or anyone else) or (ii) used in connection with the operation or maintenance thereof shall, so far as permitted by law, be deemed for the purpose of this Mortgage to be part of the real estate constituting and located on the Premises and covered by this Mortgage;

(f) All judgments, insurance proceeds, awards of damages and settlements which may result from any damage to all or any portion of the Premises and the other Mortgaged Property, or any part thereof, or to any rights appurtenant thereto;

(g) All compensation, awards, damages, claims, rights of actions and proceeds of or on account of (i) any damage or taking, pursuant to the power of eminent domain, of the Premises and the other Mortgaged Property or any part thereof, (ii) damage to all or any portion of the Premises and the other Mortgaged Property by reason of the taking, pursuant to the power of eminent domain, of all or any portion of the Premises and the other Mortgaged Property or of other property, or (iii) the alteration of the grade of any street or highway on or about the Premises and the other Mortgaged Property or any part thereof; and except as otherwise provided herein, Lender is hereby authorized to collect and receive said awards and proceeds and to give proper receipts and acquittances therefor and to apply the same toward the payment of the indebtedness and other sums secured hereby;

(h) All contract rights, general intangibles, actions and rights in action, including, without limitation, all rights to insurance proceeds and unearned premiums arising from or relating to damage to the Premises or the other Mortgaged Property or any part thereof;

(i) All proceeds, products, replacements, additions, substitutions, renewals and accessions of and to the Premises or the other Mortgaged Property;

(j) All building materials and goods which are procured or to be procured for use on or in connection with the Mortgaged Property, whether or not such materials and goods have been delivered to the Premises;

(k) All plans, specifications, architectural renderings, drawings, licenses, permits, soil test reports, other reports of examinations or analyses, contracts for services to be rendered Borrower, or otherwise in connection with the Mortgaged Property and all other property, contracts, reports, proposals, and other materials now or hereafter existing in any way relating to the Premises or the other Mortgaged Property or construction of additional improvements thereto; and

(l) The proceeds from any sale, transfer, pledge or other disposition of any or all of the foregoing described Mortgaged Property;

To have and to hold the same unto Lender and its successors and assigns forever, for the purposes and uses herein set forth together with all right to possession of the Premises after the occurrence of any Default (as hereinafter defined in Paragraph 4.01 hereof) hereunder subject only to the schedule of exceptions, if any, listed in the Loan Agreement and in the title insurance policy insuring Lender's interest in the Premises (collectively, "Permitted Encumbrances").

BORROWER REPRESENTS, WARRANTS AND COVENANTS to Lender that Borrower is lawfully seized of the Premises, that the same is unencumbered except by the Permitted Encumbrances, if any, and that it has good right, full power and lawful authority to convey and mortgage the same, and that Borrower will warrant and forever defend the Premises and the quiet and peaceful possession of the same against the lawful claims of all persons whomsoever.

If and when the principal amount of the Note and all interest as provided thereunder has been paid, and Borrower has satisfied all obligations thereunder and under the other Loan Documents, then this Mortgage shall be released at the cost of Borrower, but otherwise shall remain in full force and effect.

### III

#### GENERAL AGREEMENTS

3.01 PRINCIPAL AND INTEREST. Borrower shall pay or cause to be paid promptly when due the principal and interest on the indebtedness evidenced by the Note at the times, at the variable rates and in the manner provided in the Note, this Mortgage and the other Loan Documents. Any amount not paid when due hereunder shall accrue interest at the Default Interest Rate (as defined in the Note).

3.02 PROPERTY TAXES. Unless Borrower has deposited sufficient funds with Lender in accordance with Section 3.03 of this Mortgage, Borrower shall pay, or cause to be paid,

immediately, when first due and owing, all real estate taxes, assessments for municipal improvements, water charges, sewer charges, and any other charges that may be asserted against the Mortgaged Property or any part thereof or interest therein, and furnish to Lender duplicate receipts therefor within thirty (30) days after payment thereof.

3.03 TAX ESCROW. Upon a Default by Borrower hereunder, Borrower shall, simultaneously with Borrower's monthly payments of interest to Lender, deposit monthly with Lender one-twelfth (1/12th) of one hundred ten percent (110%) of the annual real estate taxes levied against the Mortgaged Property as reasonably estimated by Lender from time to time in such manner as Lender may prescribe so as to provide for the current year's real estate tax obligation. If the amount estimated to pay said taxes is not sufficient, Borrower shall pay the difference within five (5) days following Lender's demand therefor. Should Borrower fail to deposit sufficient amounts with Lender to pay such obligations, Lender may, but shall not be obligated to, advance monies necessary to make up any deficiency in order to pay such obligations. Any monies so advanced by Lender shall become so much additional indebtedness secured hereby and shall become immediately due and payable with interest due thereon at the Default Interest Rate. Lender is not obligated to inquire into the validity or accuracy of the real estate tax obligations before making payments of the same and nothing herein contained shall be construed as requiring Lender to advance other monies for said purpose nor shall Lender incur any personal liability for anything it may do or omit to do hereunder. It is agreed that all such payments made, at the option of Lender, shall be (a) held in trust by it without earnings for the payment of the real estate tax obligations; (b) carried in a tax account for the benefit of Borrower and withdrawn by Lender to pay the real estate tax obligations; or (c) returned to Borrower and Ground Lessee, to the extent no longer needed by Lender for this escrow purpose, provided that Lender advances upon this obligation sums sufficient to pay said items as the same accrue and become payable. If such items are held in trust or carried in a tax account for Borrower, the same are hereby pledged together with any other account of Borrower or Guarantor, held by Lender to further secure the indebtedness secured hereby, and any officer of Lender is authorized to withdraw the same and apply said sums as aforesaid.

3.04 PAYMENTS BY LENDER. In the event of a Default hereunder, Lender is hereby authorized to make or advance, in the place and stead of Borrower, any payment relating to taxes, assessments, water and sewer charges, and other governmental charges, fines, impositions or liens that may be asserted against the Mortgaged Property or any part thereof, and may do so according to any bill, statement or estimate procured from the appropriate public office without inquiry into the accuracy thereof or into the validity of any tax, assessment, lien, sale, forfeiture of title or claim relating thereto. In the event of a Default hereunder, Lender is further authorized to make or advance, in the place and stead of Borrower, any payment relating to any apparent or threatened adverse title, lien, statement of lien, encumbrance, claim, charge or payment, as well as take any and all actions which Lender deems necessary or appropriate on Borrower's behalf whenever, in Lender's sole and absolute judgment and discretion, such payments or actions seem necessary or desirable to protect the full security intended to be created by this Mortgage. In connection with any such advance, Lender is further authorized, at its option, to obtain a continuation report of title or title insurance policy prepared by a title insurance company of Lender's choosing. All payments, costs and other expenses incurred by Lender pursuant to this Paragraph 3.04,

including without limitation reasonable attorneys' fees, expenses and court costs, shall constitute additional indebtedness secured hereby and shall be repayable by Borrower upon demand with interest at the Default Interest Rate.

### 3.05 INSURANCE.

(a) Borrower shall at all times maintain, or Borrower shall at all times cause Ground Lessee to maintain, for the benefit of Lender, insurance of the following character:

(i) Commencing with construction of the Improvements (as such term is defined in the Ground Lease), "All risk" fire and extended coverage insurance, including fire, legal liability for contracts including the Ground Lease, theft, flood, water damage, collapse, earthquake, windstorm, hail, boiler and machinery, lightning, explosion (excluding nuclear), aircraft and back-up and seepage of sewers and drains, against loss or damage ("Loss") to the Premises and the Improvements, in an amount not less than the full replacement value of the Improvements, exclusive of architectural and engineering fees, excavation, footings and foundations, on an agreed amount basis as determined not less often than every two years at the request of Lender and at Borrower's cost by the insurer or insurers or by an expert approved by Lender. The maximum permitted deductible under such policy shall be One Million (\$1,000,000.00) Dollars in Current Dollars (as such term is defined in the Ground Lease). The coverage shall be equivalent or better than Causes of Loss-Special Form (CP1030) as published by the Insurance Services Office ("ISO"), or if not then available generally at market rates for such commercial properties in the broadest form available in New Jersey.

(ii) During the period of any demolition or construction on the Premises by Borrower, Ground Lessee or otherwise, in addition to the insurance required under Paragraph 3.05(a)(i), builder's risk insurance in completed value (nonreporting) form for improvements under construction, during the period of such construction, including building materials, against Loss by fire, lightning and other risks from time to time included under extended coverage endorsements, earthquake and perils insured under a difference in conditions policy in an amount not less than the cost, as reasonably estimated by Lender, of the improvements under construction. The maximum permitted deductible under the policy of such insurance shall be One Million (\$1,000,000.00) Dollars in Current Dollars.

(iii) Commercial General Liability Insurance (including coverage for contractual liability, personal injury, death and property damage) covering claims arising out of the ownership, operation, maintenance, condition or use of the Mortgaged Property and the adjoining sidewalks, curbs, vaults and ways with a combined single limit of not less than One Million (\$1,000,000.00) Dollars in Current Dollars per occurrence for injury to persons, including death resulting therefrom, and property damage, an aggregate limit of not less than Two Million (\$2,000,000.00) Dollars in Current Dollars and umbrella coverage of at least Twenty Million (\$20,000,000.00) Dollars in Current Dollars. The policy of such insurance shall provide that the coverage afforded thereby shall not be affected by any demolition, construction

or other work on the Mortgaged Property. Coverage shall be written on an Occurrence Form equivalent or better than the Occurrence Form (CG0001) as published by the ISO, or if not then available then in the broadest form available in New Jersey.

(iv) If the Improvements, as defined in the Ground Lease, upon the Premises are now or hereafter located in an area which has been identified by the Secretary of Housing and Urban Development as a flood hazard area and in which flood insurance has been made available under the National Flood Insurance Act of 1968 (the "Act"), upon commencement of construction of any Improvements on the Premises, flood insurance in an amount not less than the maximum limit of coverage available under the Act.

(v) Worker's compensation insurance meeting all requirements of Applicable Laws (as such term is defined in Ground Lease) in effect from time to time.

(vi) Environmental Impairment Liability insurance for third party damages and injuries with limits of no less than One Million (\$1,000,000.00) Dollars in Current Dollars.

(vii) Malicious Mischief insurance with limits of no less than Three Million (\$3,000,000.00) Dollars in Current Dollars per occurrence and no less than Three Million (\$3,000,000.00) Dollars in Current Dollars in the aggregate.

(viii) Upon Lender's written request, such other insurance coverage(s) as Lender may, in its reasonable discretion, deem necessary or appropriate in such amounts, with such companies and in such form as Lender deems satisfactory in its reasonable business judgment, all at Borrower's sole expense.

(b) The Premises shall be separately scheduled with respect to the Lender on any insurance policy obtained by Borrower or Ground Lessee and such insurance shall be for a stipulated amount so as to avoid co-insurance. Borrower must pay, or cause Ground Lessee to pay, promptly, when due, any premium on such insurance. All insurance required under Paragraph 3.05(a) shall be written by insurers of recognized financial standing which are authorized to do business in the State of New Jersey and have, at the time any such insurance is issued or renewed an Alfred M. Best Company, Inc. rating of A- or better (or equivalent ratings by a generally recognized successor rating agency). All such policies and renewals thereof (or binders evidencing the same) shall be delivered to Lender at least thirty (30) days before the expiration of the existing policies, shall have attached thereto a standard mortgagee clause entitling Lender to collect any and all proceeds payable under such insurance, and shall contain a waiver of subrogation by each insurer in favor of the Lender. In the event of a change in ownership or of occupancy of the Mortgaged Property, or any portion thereof, Borrower shall give immediate notice thereof to Lender. All such insurance policies shall name Lender as an additional insured, as its interest may appear, but without liability for the payment of premiums. Certificates of insurance showing Lender as additional insured, premiums prepaid, shall be deposited with Lender and shall contain provision for thirty (30) days notice to Lender prior to any cancellation or non-renewal except for ten (10) days notice for non-payment of premium. Borrower shall deliver evidence to Lender of full payment of

premiums for all insurance coverages required to be maintained hereunder on or before the date of this Mortgage.

(c) In case of any Loss in excess of an amount equal to One Hundred Thousand (\$100,000.00) Dollars in Current Dollars, Borrower shall immediately give Lender and the insurance companies that have insured against such risks, notice of such Loss generally describing the nature and extent of such Loss. Lender, Borrower and Ground Lessee shall jointly settle and adjust any Loss under the insurance policies required to be maintained in Paragraph 3.05(a) and the proceeds shall be paid to or upon the direction of Lender which shall be the loss payee. Notwithstanding the foregoing, in the event of a total casualty or in the event of a Default, or event or condition which with the giving of notice or the passage of time would constitute a Default, shall have occurred hereunder or under any of the other Loan Documents, Lender (or after entry of judgment of foreclosure, purchaser at the sale, or the judgment creditor, as the case may be) is, subject to the provisions hereof, hereby authorized to either: (A) settle, adjust or compromise any claim under any insurance policies and Lender shall act in its reasonable discretion without the consent of Borrower or Ground Lessee; or (B) allow Borrower and Ground Lessee to settle, adjust or compromise any claims for Loss with the insurance company or companies and the amount to be paid upon the Loss. In all cases Lender is authorized to collect and receipt for any such insurance proceeds and the expenses incurred by Lender in the adjustment and collection of insurance proceeds shall be such additional indebtedness secured hereby and shall be reimbursed to Lender upon demand with interest thereon at the Default Interest Rate (as such term is defined in Section 2.4(b) of the Loan Agreement) or may be deducted by Lender from said insurance proceeds prior to any other application thereof.

Subject to the rights of Qualified Sublessees (as such term is defined in the Ground Lease) and subleasehold financings which have been approved by the Lender, the insurance proceeds with respect to any Loss from destruction of twenty-five (25%) percent or more of the building constructed by Ground Lessee on the Premises and occupied by Ground Lessee on the date any such destruction occurs shall, if required by the Lender, be paid to the Lender to be applied in reduction of the indebtedness secured hereby, whether due or not, in such order as the Lender shall determine. The insurance proceeds with respect to any Loss from destruction of less than twenty-five (25%) percent of the building constructed by Ground Lessee on the Premises and occupied by Ground Lessee on the date any such destruction occurs shall be made available to Borrower or Ground Lessee to repair and restore (the "Restoration") such building provided, however, all of the following conditions are satisfied (in no event shall the Maturity Date be extended):

(1) no Default, or event which with the giving of notice or passage of time would constitute a Default, shall have occurred and be continuing hereunder or under any of the other Loan Documents;

(2) the insurance proceeds shall, in Lender's reasonable judgment, be sufficient to complete the Restoration to an architectural and economic unit of substantially the same character and the same value as existed immediately prior to such casualty, or, if Lender shall determine, in its sole and absolute discretion, that the insurance proceeds are insufficient,



Borrower or Ground Lessee shall have deposited with Lender the amount of the deficiency in cash or in other security acceptable to Lender within fifteen (15) days after Lender's demand therefor;

(3) the Ground Lease remains in full force and effect;

(4) the insurers do not deny liability to the insureds;

(5) the Lender receives an estimate of the cost of Restoration prepared by a licensed professional engineer or registered architect satisfactory to Lender; and

(6) the Lender receives evidence that all Governmental Actions (as defined in the Ground Lease) required prior to commencement of the Restoration have been issued and the fees therefor paid in full.

If any of the foregoing conditions (1) through (6) in this Paragraph 3.05 are not satisfied, then such insurance proceeds shall, if required by the Lender, be paid to the Lender, to be applied in reduction of the indebtedness secured hereby, whether due or not, in such order as the Lender shall determine.

Notwithstanding anything herein to the contrary, in case of any Loss after foreclosure proceedings have been instituted, all insurance proceeds shall, at Lender's option, be used to pay the amount due in accordance with any judgment of foreclosure that may be entered in any such proceedings, and the balance, if any, shall be paid to the owner of the equity of redemption if said owner shall then be entitled to the same, or as the court may otherwise direct. In case of the foreclosure of this Mortgage, the court in its judgment may provide that the mortgagee's clause attached to each of said insurance policies may be cancelled and that the judgment creditor may cause a new loss clause to be attached to each of said policies making the loss thereunder payable to said judgment creditor. Any foreclosure judgment may further provide that in case of any one or more redemptions made under said judgment, each successive redeemptor may cause the preceding loss clause attached to each insurance policy to be cancelled and a new loss clause to be attached thereto, making the loss thereunder payable to such redeemptor. In the event of foreclosure sale, Lender is hereby authorized, without the consent of Borrower, to assign any and all insurance policies to the purchaser at the sale, or to take such other steps as Lender may deem advisable, to cause the interest of such purchaser to be protected by any of the said insurance policies.

Nothing contained in this Mortgage shall create any responsibility or obligation on Lender to collect any amount owing on any insurance policy, to rebuild, repair or replace any damaged or destroyed portion of the Mortgaged Property, or to perform any act hereunder.

(d) If any insurance proceeds with respect to any Loss are not required by the Lender in accordance with Paragraph 3.05(c) to be applied in reduction of the indebtedness secured hereby (including the insurance proceeds with respect to any destruction of less than twenty-five (25%) percent of the building constructed by Ground Lessee on the Premises and occupied by Ground Lessee on the date any such destruction occurs), then such insurance proceeds shall be made available for Restoration by Lender, or such other depository designated by Lender, from time to time, to Borrower, Ground Lessee or at Lender's option directly to contractors, sub-contractors, material suppliers and other persons entitled to payment in accordance with and

subject to such conditions to disbursement as Lender may impose to ensure that the Restoration is fully completed in a good and workmanlike manner and paid for and that no liens or claims arise by reason thereof, provided that Lender is furnished with evidence reasonably satisfactory to Lender of the estimated cost of Restoration and with architect's and other certificates, waivers of lien, certificates, contractors' sworn statements, and other evidence of the estimated cost thereof and of payments as Lender may require and approve in its sole and absolute discretion. In addition to the foregoing, if the estimated cost of the Restoration exceeds ten (10%) percent of the original principal amount of the indebtedness secured hereby, Borrower shall also deliver, or cause Ground Lessee to deliver, to Lender for its prior approval evidence satisfactory to Lender in its sole and absolute discretion that the appraised value of the Mortgaged Property after such work will not be less than its appraised value established in the appraisal delivered to Lender on or prior to the date hereof and all plans and specifications for such Restoration as Lender may require and approve in its sole and absolute discretion. No payment made prior to the final completion of the Restoration shall exceed ninety (90%) percent of the value of the Restoration performed, from time to time, and at all times the undisbursed balance of such proceeds remaining in the custody or control of Lender shall be, in Lender's sole and absolute discretion, at least sufficient to pay for the cost of completion of the Restoration, free and clear of any liens. Lender may, at any time after the occurrence of a Default hereunder, and in its sole and absolute discretion, procure and substitute for any and all of the insurance policies so held as aforesaid, such other policies of insurance in such amounts and carried in such companies as Lender may select. The cost thereof shall be additional indebtedness secured hereby, shall be due upon demand and shall accrue interest at the Default Interest Rate from the date incurred until repaid by Borrower. Lender may commingle any such funds held by it hereunder and shall not be obligated to pay any interest with respect to any such funds held by or on behalf of Lender.

3.06 CONDEMNATION AND EMINENT DOMAIN. Any and all awards heretofore or hereafter made or to be made to the present or any subsequent owner of the Mortgaged Property by any governmental or other lawful authority for the taking, by condemnation or eminent domain, of all or any part of the Mortgaged Property (including any award from the United States government at any time after the allowance of a claim therefor, the ascertainment of the amount thereto, and the issuance of a warrant for payment thereof), are hereby assigned by Borrower to Lender, which awards Lender is hereby authorized to negotiate, collect and receive from the condemnation authorities. Lender is hereby authorized to give appropriate receipts and acquittances therefor. Anything to the contrary notwithstanding, interest on any and all amounts due under the Note and secured hereby shall continue to accrue until the Note is paid in full. Borrower shall give Lender immediate notice of the actual or threatened commencement of any condemnation or eminent domain proceedings of which it has knowledge affecting all or any part of the Mortgaged Property (including severance of, consequential damage to or change in grade of streets), and shall immediately deliver to Lender copies of any and all papers served in connection with any such proceedings. Borrower further agrees to make, execute and deliver to Lender, free and clear of any encumbrance of any kind whatsoever, any and all further assignments and other instruments deemed necessary by Lender for the purpose of validly and sufficiently assigning all awards and other compensation heretofore, now and hereafter made to Borrower for any taking, either permanent or temporary, under any such proceeding. Subject to the rights of

Qualified Sublessees (as such term is defined in the Ground Lease) and subleasehold financings which have been approved by the Lender, any such award for any taking of that portion of the Mortgaged Property comprising the building constructed and occupied by Ground Lessee and/or the land used by Ground Lessee in connection therewith, shall, if required by the Lender, be paid to the Lender to be applied to prepay the indebtedness secured hereby, provided, however, if any such taking is for less than twenty-five (25%) percent of such land and/or building and Ground Lessee shall demonstrate to the reasonable satisfaction of the Lender that the Ground Lessee's use of the remaining land and building for Ground Lessee's intended use remains financially viable, then any such award shall be paid to Ground Lessee for Restoration in accordance with the provisions of and in the same manner as is provided for insurance proceeds in Paragraph 3.05(d) hereof. Notwithstanding the foregoing, any expenses, including, without limitation, attorneys' fees and expenses, incurred by Lender in intervening in such action or compromising and settling such action or claim, or collecting any such awards, shall be reimbursed to Lender first out of any such award.

3.07 MAINTENANCE OF PROPERTY. Except as Ground Lessee and Qualified Sublessees may be permitted under the Ground Lease, no portion of the Mortgaged Property shall be altered, removed or demolished, severed, sold or mortgaged, without the prior written consent of Lender. In the event of the demolition or destruction in whole or in part of any of the fixtures, chattels or articles of personal property covered by this Mortgage or by any separate security agreement executed in conjunction herewith, the same shall be replaced promptly by similar fixtures, chattels and articles of personal property at least equal in value, quality and condition to those replaced, free from any other security interest therein, encumbrances thereon or reservation of title thereto. Borrower shall promptly repair, restore or rebuild any building or other improvement or any part thereof now or hereafter situated on the Premises that may become damaged or be destroyed whether or not proceeds of insurance are available or sufficient for such purpose. Any such building or other improvement or any part thereof shall be repaired, restored or rebuilt so as to be of at least equal value and of substantially the same character as prior to such damage or destruction.

Borrower further agrees not to permit, commit or suffer any waste, impairment or deterioration of the Mortgaged Property or any part thereof, to keep and maintain the Mortgaged Property and every part thereof in good repair and condition, to effect such repairs as Lender may reasonably require, and, from time to time, to make all necessary and proper replacements thereof and additions thereto so that the Premises and such buildings, other improvements, fixtures, chattels and articles of personal property will, at all times, be in good condition, fit and proper for the respective purposes for which they were originally erected or installed.

3.08 COMPLIANCE WITH LAWS. Borrower shall: (a) comply with, and shall cause Ground Lessee to comply with, all statutes, ordinances, regulations, rules, orders, decrees and other requirements relating to the Mortgaged Property, or any part thereof, by any federal, state or local authority, including, without limitation, the Americans with Disabilities Act of 1990, and (b) observe and comply with, and shall cause Ground Lessee to observe and comply with, all conditions and requirements necessary to preserve and extend any and all rights, licenses, permits (including, without limitation, zoning variances, special exceptions and nonconforming uses), privileges, franchises and concessions that are applicable to the

Mortgaged Property or that have been granted to or contracted for by Borrower in connection with any existing or presently contemplated use of the Mortgaged Property or any part thereof. Subject to the terms of the Ground Lease, Borrower shall not initiate or acquiesce in any changes to or termination of any of the foregoing or of zoning design actions affecting the use of the Mortgaged Property or any part thereof without the prior written consent of Lender.

3.09 LIENS AND TRANSFERS. Except as provided in the Loan Agreement, without Lender's prior written consent, Borrower shall not, directly or indirectly, create, suffer or permit to be created or filed or to remain against the Mortgaged Property, or any part thereof, hereafter any mortgage lien or other lien, encumbrance or charge on, pledge of, or conditional sale or other title retention agreement with respect to the Mortgaged Property, whether superior or inferior to the lien of this Mortgage; provided, however, that Borrower may, within ten (10) days after the filing thereof, contest in good faith by appropriate legal or administrative proceedings any lien claim arising from any work performed, material furnished or obligation incurred by Borrower upon furnishing Lender at Borrower's sole cost and expense, either (i) a bond issued by a company approved by Lender in its sole and absolute discretion covering the lien claim, or (ii) an endorsement to Lender's title insurance policy insuring Lender's interest in the Premises insuring over said lien claim, each in form and substance satisfactory to Lender in its sole and absolute discretion, or such other security and indemnification satisfactory to Lender, in its sole and absolute discretion, for the final payment and discharge thereof. In the event Borrower hereafter creates, suffers or permits any superior or inferior lien to be attached to the Mortgaged Property or any part thereof without such consent or without furnishing security as aforesaid, Lender shall have the unqualified right, at its option, to accelerate the maturity of the Note, causing the entire principal balance thereof and all interest accrued thereon and all other charges due Lender under any of the Loan Documents to be immediately due and payable.

If Borrower, without Lender's prior written consent, sells, leases, transfers, conveys, assigns, pledges, hypothecates or otherwise disposes of the title to all or any portion of the Mortgaged Property, whether by operation of law, voluntarily or otherwise, or any interest (beneficial or otherwise) thereto, or enters into any agreement to do any of the foregoing, Lender shall have the unqualified right, at its option, to accelerate the maturity of the Note, causing the entire principal balance and accrued interest and all other charges due Lender under any of the Loan Documents to be immediately due and payable. Without limiting the generality of the foregoing, each of the following events shall be deemed a sale, transfer, conveyance, assignment, pledge, hypothecation or other disposition prohibited by the foregoing sentence:

(a) if Borrower is a corporation, any sale, conveyance, assignment or other transfer of all or any portion of the stock of such corporation, that results in a material change in the identity of the person(s) or entities in control of such corporation, or any corporation which controls any of Borrower;

(b) if Borrower is a partnership, any sale, conveyance, assignment or other transfer of all or any portion of the partnership interest of Borrower or any entity or entities in control of Borrower, or any partnership which controls Borrower;

(c) if Borrower is a limited liability company, any sale, conveyance, assignment or other transfer of all or any portion of any manager interest or membership interest of any manager or member, as the case may be, of Borrower;

(d) any sale, conveyance, assignment or other transfer of all or any portion of the stock, partnership or membership interest of any entity directly or indirectly in control of any corporation, partnership or limited liability company constituting any of Borrower or any corporation, partnership or limited liability company which controls Borrower, or any sale, conveyance, assignment or other transfer by Borrower in any corporation, partnership or limited liability company in which Borrower has a controlling interest, directly or indirectly; and

(e) any hypothecation of all or any portion of any stock, partnership or membership (or manager, as the case may be) interest of any of Borrower, or of all or any portion of the stock, partnership or membership (or manager, as the case may be) interest of any entity directly or indirectly in control of such corporation, partnership or limited liability company or any corporation, partnership or limited liability company which controls Borrower, or any sale, conveyance, assignment or other transfer by Borrower in any corporation, partnership or limited liability company in which Borrower has a controlling interest, directly or indirectly.

Any waiver by Lender of the provisions of this Paragraph 3.09 shall not be deemed to be a waiver of the right of Lender in the future to insist upon strict compliance with the provisions hereof.

3.10 SUBROGATION TO PRIOR LIENHOLDER'S RIGHTS. If the proceeds of the Loan secured hereby or any part thereof, or any amount paid out or advanced by Lender is used directly or indirectly to pay off, discharge or satisfy, in whole or in part, any prior lien or encumbrance upon the Mortgaged Property or any part thereof, then Lender shall be subrogated to the rights of the holder thereof in and to such other lien or encumbrance and any additional security held by such holder, and shall have the benefit of the priority of the same.

3.11 LENDER'S DEALINGS WITH TRANSFEREE. In the event of the sale or transfer, by operation of law, voluntarily or otherwise, of all or any part of the Mortgaged Property, Lender shall be authorized and empowered to deal with the vendee or transferee with regard to the Mortgaged Property, the indebtedness secured hereby and any of the terms or conditions hereof as fully and to the same extent as it might with Borrower, without in any way releasing or discharging Borrower from its covenants hereunder, specifically including those contained in Paragraph 3.09 hereof, and without waiving Lender's right of acceleration pursuant to Paragraph 3.09 hereof.

3.12 STAMP TAXES. If at any time the United States government or any federal, state or municipal governmental subdivision requires Internal Revenue or other documentary stamps, levies or any tax on this Mortgage or on the Note, or requires payment of the United

States Interest Equalization Tax on any of the indebtedness secured hereby, then such indebtedness and all interest accrued thereon shall be and become due and payable, at the election of the Lender, thirty (30) days after the mailing by Lender of notice of such election to Borrower; provided, however, that such election shall be unavailing, and this Mortgage and the Note shall be and remain in effect, if Borrower may and does lawfully pay for such stamps or tax, including interest and penalties thereon, to or on behalf of Lender.

3.13 CHANGE IN TAX LAWS. In the event of the enactment, after the date of this Mortgage, of any law of the state in which the Premises are located deducting from the value of the Premises, for the purpose of taxation, the amount of any lien thereon, or imposing upon Lender the payment of all or any part of the taxes, assessments, charges or liens hereby required to be paid by Borrower, or changing in any way the laws relating to the taxation of mortgages or debts secured by mortgages or Borrower's interest in the Mortgaged Property, or the manner of collection of taxes, so as to affect this Mortgage or the indebtedness secured hereby or the holder thereof, then Borrower, upon demand by Lender, shall pay such taxes, assessments, charges or liens, or reimburse Lender therefor; provided, however, that if, in the opinion of counsel for Lender, it might be unlawful to require Borrower to make such payment or the making of such payment might result in the imposition of interest beyond the maximum amount permitted by law, then Lender may elect, by notice in writing given to Borrower, to declare all of the indebtedness secured hereby to become due and payable thirty (30) days after the giving of such notice. Nothing contained in this Paragraph 3.13 shall be construed as obligating Lender to pay any portion of Borrower's federal, state and local income tax.

3.14 INSPECTION OF PROPERTY. Borrower shall permit Lender and its representatives and agents to inspect the Mortgaged Property from time to time upon reasonable prior telephonic notice during normal business hours and as frequently as Lender considers reasonable.

3.15 INSPECTION OF BOOKS AND RECORDS. Borrower shall keep and maintain full and correct books and records showing in detail the income and expenses of the Mortgaged Property and after demand therefor by Lender shall permit Lender and its agents, employees and representatives to visit its offices, discuss its financial affairs with its officers and independent public accountants whether or not any representative of Borrower is present and to examine and audit such books and records and all supporting vouchers and data, copies of any leases encumbering the Premises and such other information as Lender may deem reasonably necessary or appropriate at any time and from time to time on Lender's request at Borrower's offices during Borrower's normal business hours, at the address hereinabove identified or at such other location as may be reasonably requested by Lender.

3.16 FINANCIAL STATEMENTS. Borrower shall deliver, or cause to be delivered, to Lender, on at least an annual basis and at such other times (but not more frequently than quarterly) as Lender may reasonably request, unaudited financial statements (or audited if same exists) for Borrower and the Mortgaged Property on a form approved by Lender setting forth the information therein as of the immediately preceding calendar year, or as of the immediately preceding period for which financial statements were requested, as the case may be, containing income and expense statements and a balance sheet, prepared and reviewed by

an independent certified public accounting firm acceptable to Lender in accordance with generally accepted accounting principles consistently applied and certified to be true, complete and correct by the persons or entities to which they apply and in such detail as Lender may require.

3.17 ACKNOWLEDGMENT OF DEBT. Borrower shall furnish from time to time, within ten (10) days after Lender's request, a written statement, duly executed and acknowledged by an authorized member or officer of Borrower, specifying the amount due under the Note, this Mortgage and any of the other Loan Documents and disclosing whether any alleged offsets or defenses exist against the indebtedness secured hereby.

3.18 OTHER AMOUNTS SECURED. Borrower acknowledges and agrees that this Mortgage secures the entire principal amount of the Note and interest accrued thereon, regardless of whether any or all of the loan proceeds are disbursed on or after the date hereof, and regardless of whether the outstanding principal is repaid in whole or part and future advances made at a later date, as well as any amounts owed to Lender pursuant to Paragraphs 3.03 and 3.04 hereof, any and all litigation and other expenses pursuant to Paragraphs 4.05 and 4.06 hereof and any other amounts as provided herein or in any of the other Loan Documents, including, without limitation, the payment of any and all loan commissions, service charges, liquidated damages, expenses and advances due to or paid or incurred by Lender in connection with the Loan, all in accordance with the loan commitment issued in connection with this transaction and the Loan Documents.

3.19 DECLARATION OF SUBORDINATION. At the option of Lender, this Mortgage shall become subject and subordinate, in whole or in part (but not with respect to priority of entitlement to insurance proceeds or any condemnation or eminent domain award) to any and all leases of all or any part of the Mortgaged Property upon the execution by Lender and recording thereof, at any time hereafter, in the appropriate official records of the county wherein the Premises are situated, of a unilateral declaration to that effect.

3.20 RELEASES. Lender, without notice and without regard to the consideration, if any, paid therefor, and notwithstanding the existence at that time of any inferior liens thereon, may release from the liens of Lender all or any part of the Mortgaged Property, or release from liability any person or entity obligated to repay any indebtedness secured hereby, without in any way affecting the liability of any party pursuant to the Note, this Mortgage or any of the other Loan Documents, including, without limitation, any guaranty given as additional security for the indebtedness secured hereby, and without in any way affecting the priority of the lien of this Mortgage, and may agree with any party liable therefor to extend the time for payment of any part or all of such indebtedness. Any such agreement shall not in any way release or impair the lien created by this Mortgage or reduce or modify the liability of any person or entity obligated personally to repay the indebtedness secured hereby, but shall extend the lien hereof as against the title of all parties having any interest, subject to the indebtedness secured hereby, in the Mortgaged Property.

3.21 BORROWER'S REPRESENTATIONS. Borrower hereby represents, warrants and covenants to Lender that:

(a) Borrower is lawfully seized of the Mortgaged Property hereby mortgaged, granted and conveyed and has the right to mortgage, grant and convey the Mortgaged Property, that the Mortgaged Property is unencumbered except by the Permitted Encumbrances, if any, and that Borrower will represent, warrant and defend generally the title to the Mortgaged Property, or any portion thereof, against any and all claims and demands, subject only to the Permitted Encumbrances, if any.

(b) Borrower (i) is a Delaware limited liability company, duly organized and validly existing under the laws of the State of Delaware, is in good standing in the State of Delaware and is qualified to do business in the State of New Jersey as a foreign limited liability company; (ii) has the power and authority to own its properties and to carry on its business as now being conducted; and (iii) is in compliance with all laws, regulations, ordinances and orders of public authorities applicable to it.

(c) The execution, delivery and performance of the Note, this Mortgage and the other Loan Documents: (i) have received all necessary trust, partnership, governmental, company or corporate approval; (ii) do not violate any provision of any law, any order of any court or agency of government or any indenture, agreement or other instrument to which Borrower is a party, or by which it or any portion of the Mortgaged Property is bound; and (iii) are not in conflict with, nor will result in breach of, or constitute (with due notice or lapse of time) a default under any indenture, agreement, or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever, upon any of its property or assets, except as contemplated by the provisions of this Mortgage.

(d) The Note, this Mortgage and the other Loan Documents, when executed and delivered by Borrower will constitute the legal, valid and binding obligations of Borrower in accordance with their respective terms.

(e) All information, reports, papers, balance sheets, statements of profit and loss, and data given to Lender or its agents and employees regarding Borrower are accurate and correct in all material respects, and are complete insofar as completeness may be necessary to give Lender a true and accurate knowledge of the subject matter.

(f) There is not now pending against or affecting Borrower nor, to the best of Borrower's knowledge, is there threatened any action, suit or proceeding at law, in equity or before any administrative agency which, if adversely determined, would materially impair or affect the financial condition or operation of Borrower or the Mortgaged Property.

3.22 UTILITIES. Borrower will (except to the extent paid by lessees) pay all utility charges incurred in connection with the Premises and all improvements thereon, and shall maintain all utility services now or hereafter available for use at the Premises.

3.23 HAZARDOUS WASTE. Borrower hereby represents, warrants, covenants and otherwise agrees as follows:



(a) Except as set forth in that certain two-volume Phase I Environmental Site Assessment dated August 30, 2001 (the "2001 Site Assessment") prepared by P.T. & L. Environmental Consultants, Inc. under Project No. 012364, and that certain Limited Phase II Environmental Investigation Report dated October 2, 2001 (the "2001 Supplemental Report") prepared by P.T. & L. Environmental Consultants, Inc. under Project No. 012380, and except as set forth in that certain Phase I Environmental Site Assessment dated December 1, 1993 (the "1993 Site Assessment") prepared by Certified Engineering & Testing Co., Inc. under Project No. N30112 (the 2001 Site Assessment, 2001 Supplemental Report, and 1993 Site Assessment, including all attachments and appendices to the foregoing, are referred to collectively as the "Environmental Report") Borrower represents and warrants, to the best of its knowledge, that there are no Hazardous Substances (as hereinafter defined) in the environment at, upon or under the Premises in quantities or concentrations exceeding those allowed pursuant to applicable Environmental Laws and further represents and warrants that during the periods of ownership of the Premises by Borrower, and, to the best of its knowledge, prior to Borrower's acquisition of its interest therein, there have not been any Releases of any Hazardous Substances at, upon or under the Premises in quantities or concentrations exceeding those allowed pursuant to applicable Environmental Laws. Borrower warrants that it will not cause or allow there to be any Hazardous Substances Managed (as hereinafter defined) at, upon or under the Premises in a manner that does not comply with all applicable Environmental Laws or Releases (as hereinafter defined) at, upon or under the Premises in violation of applicable Environmental Laws including but not limited to Management (as hereinafter defined) or Releases (as hereinafter defined) in connection with any operations, construction, restoration, rehabilitation, or repairs on or at the Premises.

(b) Except as otherwise set forth in the Environmental Report, Borrower represents and warrants that there are no above ground storage tanks ("Acts") or underground storage tanks ("Uses") at, upon or under the Premises, and further represents and warrants that during the periods of ownership of the Premises by Borrower, and, to the best of its knowledge, prior to Borrower's acquisition of its interest therein, there have been no ASTs or USTs at, upon or under the Premises. Borrower warrants that it will not cause or allow any ASTs or USTs to be installed at, upon or under the Premises.

(c) Borrower covenants and agrees (i) to comply with all applicable Environmental Laws (as hereinafter defined) and Environmental Permits (as hereinafter defined); (ii) to require the tenants and others operating on the Property at its request to comply with applicable Environmental Laws and Environmental Permits; (iii) to provide Lender immediate notice of any correspondence, notices, demands or communications of any nature whatsoever received by Borrower relating to any alleged or actual violation, or any investigation of any alleged or actual violation, of any applicable Environmental Law or relating to any alleged or actual presence of Hazardous Substances at, under, over or upon the Property, and to immediately provide Lender copies of any such correspondence, notices, demands or communications which are in writing; (iv) to comply with Borrower's undertaking set forth in that certain letter dated as of the date hereof from Borrower to Lender

concerning the 2001 Supplemental Report; and (v) to advise Lender in writing as soon as Borrower becomes aware of any Environmental Condition or circumstance which makes any of Borrower's representations or warranties contained herein incomplete or inaccurate. In the event Lender determines that there is any evidence that any such Environmental Condition or circumstance exists, whether or not described in any communication or notice to Borrower or Lender, Borrower agrees, at its own expense and at the request of Lender, to permit an environmental audit to be conducted by Lender or an independent agent selected by Lender. This provision shall not relieve Borrower from conducting its own environmental audits or taking any other steps necessary to comply with any applicable Environmental Law or Environmental Permits. If, in the opinion of Lender, there exists any uncorrected violation of any applicable Environmental Law or Environmental Permits or any Environmental Condition which requires or may require any cleanup, removal or other remedial action under any applicable Environmental Law, and such cleanup, removal or other remedial action is not conducted in compliance in all respects with all applicable Environmental Laws and in a continuously diligent manner, the same shall, at the option of Lender, constitute a Default.

(d) Lender and Indemnitees (as hereinafter defined) and their respective agents and representatives, shall have the right, subject to the rights of tenants under any lease, at any reasonable time to enter and visit the Mortgaged Property for the purposes of observing the Mortgaged Property, taking and removing soil or groundwater samples, and conducting tests on any part of the Mortgaged Property. Neither Lender nor Indemnitees shall have a duty, however, to visit or observe the Mortgaged Property or to conduct tests, and no site visit, observation or testing by Lender or any Indemnitee shall impose any liability on Lender or any Indemnitee. In no event shall any site visit, observation or testing by Lender or any Indemnitee be a representation that Hazardous Substances are or are not present in, on or under the Premises, or that there has been or shall be compliance with any law, regulation or ordinance pertaining to Hazardous Substances or any other applicable governmental law. Neither Borrower nor any other party is entitled to rely on any site visit, observation or testing by Lender or any Indemnitee. Borrower acknowledges that neither Lender nor any Indemnitee owes any duty of care to protect Borrower or any other party against, or to inform Borrower or any other party of, any Hazardous Substances or any other adverse condition affecting the Premises. Lender and Indemnitees shall disclose to Borrower, and may in the sole and absolute discretion of Lender and Indemnitees disclose to any other party, any report or findings made as a result of, or in connection with, any site visit, observation or testing by Lender or Indemnitees. Borrower understands and agrees that neither Lender nor Indemnitees makes any representation or warranty to Borrower or any other party regarding the truth, accuracy or completeness of any such report or findings that may be disclosed. Borrower also understands that, depending on the results of any site visit, observation or testing by Lender or any Indemnitee which are disclosed to Borrower, Borrower may have a legal obligation to notify one or more environmental agencies of the results and that such reporting requirements are site-specific and are to be evaluated by

Borrower without advice or assistance from Lenders or Indemnitees. Lender or any Indemnitee shall give Borrower reasonable notice before entering the Premises, and any such party shall make reasonable efforts to avoid interfering with Borrower's or Ground Lessee's use of the Premises in exercising any rights provided in this Paragraph 3.23(d).

(e) Borrower represents and warrants that (i) all necessary Environmental Permits pertaining to the Mortgaged Property have been obtained by the appropriate party, and that all reports, notices, and other documents required under any applicable Environmental Law in connection with the Mortgaged Property have been filed; (ii) Borrower is not a party to any litigation or administrative proceeding arising under any applicable Environmental Law in connection with the Mortgaged Property, nor to the best knowledge of Borrower is there any such litigation or proceeding contemplated or threatened; (iii) to its best knowledge the Mortgaged Property is free from any judgment, decree, order or citation related to or arising out of any applicable Environmental Law; and (iv) until the Loan is paid in full, the Mortgaged Property shall not be used in any manner that would either subject the Mortgaged Property or any part thereof to the provisions of the New Jersey Industrial Site Recovery Act, N.J.S.A. 13:1k-6 et seq ("ISRA") or cause the Mortgaged Property to be deemed an "industrial establishment" unless subject to a valid "de Minimis Quantity Exemption" pursuant to the provisions of ISRA.

(f) Borrower covenants and agrees that it will indemnify, defend and hold harmless Lender and any and all current, future or former officers, directors, employees or agents of Lender (collectively, the "Indemnitees") from any and all Losses (as hereinafter defined) in any way arising from: (i) any breach of any covenant, representation or warranty in Paragraph 3.23 of this Mortgage; (ii) any Environmental Liability (as hereinafter defined); (iii) any failure to obtain or comply with any Environmental Permit; (iv) any Release (as hereinafter defined); (v) any Management; (vi) any Environmental Condition (as hereinafter defined); (vii) the presence of any Hazardous Substance at any property other than the Premises which is present due to either (A) any direct or indirect transportation whatsoever of a Hazardous Substance from the Premises, or by any Indemnitor, to the property at which such Hazardous Substance is present and cause any tenant or occupant of the Premises to cause an indemnity like this to be delivered in the Lender's favor and any guarantors or subtenants or (B) migration or other movement from the Premises to such other property of a Hazardous Substance Released at the Premises; and (viii) any Response (as hereinafter defined) arising out of or in connection with any of the matters described in this Paragraph 3.23(f). This indemnification shall not apply to matters arising due to Lender's gross negligence or willful misconduct. Borrower's defense of Lender pursuant to this Paragraph 3.23(f) shall be by legal counsel retained by Borrower and acceptable to Lender, in Lender's reasonable judgment, it being acknowledged that Borrower's current legal counsel in connection with the Loan would be acceptable for such purpose, and all out-of-pocket costs associated therewith including all legal fees, costs and expenses of all actions and reasonable legal fees of additional counsel appointed by Lender to supervise any actions, shall be paid by Borrower.

(g) Borrower hereby consents and agrees that Lender or any Indemnitee may at any time and from time to time without further consent from Borrower do any of the following events, and the liability of Borrower under Paragraph 3.23 of this Mortgage shall be unconditional and absolute and shall in no way be impaired or limited by any of the following events, whether occurring with or without notice to Borrower or with or without consideration: (i) any extensions of time for performance required by any of the Loan Documents or extension or renewal of the Note; (ii) any sale, assignment or foreclosure of the Note, this Mortgage or any of the other Loan Documents or any sale or transfer of the Mortgaged Property (whether by deed in lieu of foreclosure or otherwise); (iii) any change in the composition of Borrower; (iv) the accuracy or inaccuracy of the representations and warranties made by Borrower herein or in any of the Loan Documents; (v) the release of Borrower or of any other person or entity from performance or observance of any of the agreements, covenants, terms or conditions contained in any of the Loan Documents by operation of law, Lender's or Indemnitees' voluntary act or otherwise; (vi) the release or substitution in whole or in part of any security for the Loan; (vii) Lender's failure to record this Mortgage or to file any financing statement (or Lender's improper recording or filing thereof) or to otherwise perfect, protect, secure or insure any lien or security interest given as security for the Loan; (viii) the modification of the terms of any one or more of the Loan Documents; or (ix) the taking or failure to take any action of any type whatsoever. No such action which Lender or any Indemnitee shall take or fail to take in connection with the Loan Documents or any collateral for the Loan, nor any course of dealing with Borrower or any other person, shall limit, impair or release Borrower's obligations in Paragraph 3.23 of this Mortgage, affect this Mortgage in any way or afford Borrower any recourse against Lender or any Indemnitee. Nothing contained in this Paragraph 3.23(g) shall be construed to require Lender or any Indemnitee to take or refrain from taking any action referred to herein.

- (h) The following definitions apply throughout this Mortgage:
- (i) The term "Environmental Condition" shall mean the presence of any Hazardous Substance at, upon, over, under or emanating from the Mortgaged Property.
- (ii) The term "Environmental Laws" shall mean, whether judicial or administrative, all federal, state, and local laws, statutes, rules, regulations, ordinances, permits, guides, orders, consent decrees, including with respect to the forgoing, any judicial and administrative actions and decrees, relating to health, safety and environmental matters as now exist and as may be enacted or amended after the date hereof. Such laws and regulations include, but are not limited to, the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., as amended; the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., as amended ("CERCLA"); the Toxic Substance Control Act, 15 U.S.C. Section 2601 et seq., as amended; the Clean Water Act 33 U.S.C. Section 1251 et seq., as amended; the Clean Air Act, 42

U.S.C. Section 7401 et seq., as amended; the Spill Compensation and Control Act, N.J.S.A. 58:10-23.11 et seq., as amended; the Industrial Site Recovery Act, N.J.S.A. 13:1k-6 et seq., as amended; the Underground Storage of Hazardous Substances Act, N.J.S.A. 58:10A-21 et seq., as amended; the Toxic Catastrophe Prevention Act, N.J.S.A. 13:1K-19, et seq., as amended; the Worker and Community Right to Know Act, N.J.S.A. 34:5A-1, et seq., as amended; the Pollution Prevention Act, N.J.S.A. 13:D-35, et seq., as amended; the Solid Waste Management Act, N.J.S.A. 13:1E-1, et seq., as amended; the Solid Waste Utility Control Act, N.J.S.A. 48:13A-1, et seq., as amended; the Air Pollution Control Act, N.J.S.A. 26:2C-1, et seq., as amended; the Water Pollution Control Act, N.J.S.A. 58:10A-1, et seq., as amended; the Flood Hazard Control Act, N.J.S.A. 58:16A-50, et seq., as amended; the Freshwater Wetlands Protection Act, N.J.S.A. 12:3-1, et seq., as amended; the Noise Control Act, N.J.S.A. 13:IG-1, et seq., as amended; the Pesticide Control Act, N.J.S.A. 13:1F-1, et seq., as amended; federal, state and local environmental cleanup programs; federal, state and local environmental lien programs; Occupational Safety and Health Act of 1970, 29 U.S.C. Section 651 et seq., as amended ("OSHA"); and U.S. Department of Transportation regulations applicable to the transportation of Hazardous Substances.

- (iii) The term "Environmental Liability" shall mean any and all liabilities, whether fixed, absolute, or contingent, arising under any applicable Environmental Law or arising under or in connection with any Environmental Permit or Environmental Condition; any and all claims of any nature whatsoever by a third party (including but not limited to governmental agencies) arising in any way under any applicable Environmental Law or arising under or in connection with any Environmental Permit or Environmental Condition, including but not limited to demands for environmental cleanup, investigation or corrective action; any and all losses incurred or sustained as a result of alleged or actual violations of applicable Environmental Laws or Environmental Permits, any and all alleged or actual Environmental Conditions, any and all Releases, any and all Management, or any and all Responses.
- (iv) The term "Environmental Permit" shall mean authorization by any governmental entity to conduct activities governed in whole or in part by one or more Environmental Laws.
- (v) The term "Hazardous Substance" shall mean hazardous substances, hazardous wastes, hazardous waste constituents, hazardous by-products, hazardous materials, hazardous chemicals, extremely hazardous substances, pesticides, oil and other petroleum products and toxic substances, including, without limitation, asbestos and PCBs, as those

terms are defined pursuant to or encompassed by any Environmental Law or by trade custom and usage.

- (vi) The term "Lender" shall mean and include Lender and Lender's successors, assigns, parents, subsidiaries and affiliated companies, and legal representatives, including all other holders, from time to time, of the Note or any participation therein.
- (vii) The terms "Loss" or "Losses" shall mean any and all costs, expenses and expenditures, including, without limitation, court costs and reasonable attorneys', experts' and consultants' fees and costs of litigation or any other losses whatsoever, including, without limitation, costs and expenses of investigation, cleanup, prevention of migration, monitoring, evaluating, assessment, removal or remediation of Hazardous Substances whether or not such costs or expenses are incurred in response to any governmental or third party action, claim or directive; damages; punitive damages actually awarded; obligations; deficiencies; liabilities, whether fixed, absolute, accrued, contingent or otherwise and whether direct, primary or secondary, known or unknown; claims; encumbrances; penalties; demands; assessments; and judgments.
- (viii) The terms "Manage", "Managed" or "Management" shall mean the generation, handling, manufacturing, processing, treatment, storing, use, reuse, refinement, recycling, reclaiming, blending, burning, recovery, incineration, accumulation, transportation, transfer, disposal, release or abandonment of any Hazardous Substances, by any person at any property (including but not limited to facilities or properties other than the Mortgaged Property, as applicable).
- (ix) The terms "Release", "Released" or "Releases" shall mean any actual or threatened spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of Hazardous Substances into the environment.
- (x) The terms "Respond" or "Response" shall mean any action taken by any person, whether or not in response to a governmental or third party action, claim or directive, to correct, remove, remediate, clean up, prevent migration of, monitor, evaluate, investigate or assess, as appropriate, any Release of a Hazardous Substance, Environmental Condition, Management or actual or alleged violation of an Environmental Law or Environmental Permit.

(i) Any provisions of this Mortgage to the contrary notwithstanding, the representations, warranties, covenants, agreements and indemnification obligations contained in this Paragraph 3.23 shall survive the foreclosure of the lien of this Mortgage by Lender or a third party or the conveyance thereof by deed in lieu of foreclosure (and shall not be limited to the amount of any deficiency in any foreclosure

sale of the Mortgaged Property), and all indicia of the termination of the relationship between Borrower and Lender, including, but not limited to, the repayment of all amounts due under the Loan Documents, the cancellation of the Note, and the release, cancellation or discharge of this Mortgage.

(j) Notwithstanding any other provisions hereof, the Borrower shall have no personal liability to the Lender in respect of Paragraph 3.23 of this Mortgage and the Lender's remedies hereunder shall be limited to the Security (as that term is defined in the Loan Agreement), except in the case of any claim arising out of fraud or intentional misrepresentation by the Borrower or either of its immediate predecessors in title to the Premises in connection with the execution and delivery of this Mortgage or any of the other Loan Documents.

(k) In the event that Lender or any of the other Indemnitees incurs any costs (including reasonable attorneys' fees, and expenses and court costs) or Losses to collect or enforce Borrower's obligations under this Paragraph 3.23, Borrower shall, upon demand by Lender or the other Indemnitees, immediately reimburse Lender or the other Indemnitees therefor, plus interest from the date so incurred until paid at the Default Interest Rate (as that term is defined in the Note), including, but not limited to, reasonable attorneys' fees and expenses and court costs incurred in any litigation, and bankruptcy and administrative proceedings, and appeals therefrom.

3.24 ASSIGNMENT OF LEASES AND RENTS. Borrower hereby assigns to Lender directly and absolutely, and not merely collaterally, the interest of Borrower as landlord under the Ground Lease of the Premises, the Borrower's right, title and interest in and to the Guaranty, any and all subleases of the Premises, or any part thereof, and the rents payable under the Ground Lease and any and all other leases and subleases of the Premises, or any portion thereof, or any installments of money payable pursuant to any agreement or any sale of the Premises or any part thereof, including but not limited to proceeds of the purchase option granted under the Ground Lease, subject only to a license, if any, granted by Lender to Borrower with respect thereto prior to the occurrence of a Default. Borrower has executed and delivered an Assignment of Leases and Rents which grants to Lender specific rights and remedies in respect of the Ground Lease and such other leases and governs the collection of rents thereunder and from the use of the Premises, and such rights and remedies so granted shall be cumulative of those granted herein.

The collection of such rents and the application thereof as aforesaid shall not cure or waive any Default or notice of default hereunder or invalidate any act done pursuant to such notice, except to the extent any such Default is fully cured. Failure or discontinuance of Lender at any time, or from time to time, to collect any such moneys shall not impair in any manner the subsequent enforcement by Lender of the right, power and authority herein conferred on Lender. Nothing contained herein, including the exercise of any right, power or authority herein granted to Lender, shall be, or be construed to be, an affirmation by Lender of any tenancy, lease or option, or an assumption of liability under, or the subordination of the lien or charge of this Mortgage to any such tenancy, lease or option. Borrower hereby agrees that, in the event Lender exercises its rights as provided for in this Paragraph 3.24 or in the Assignment of Leases and Rents, Borrower waives any right to compensation for the use of

Borrower's furniture, furnishings or equipment in the Premises for the period such assignment of rents or receivership is in effect, it being understood that the rents derived from the use of any such items shall be applied to Borrower's obligations hereunder as provided herein.

Nothing herein contained shall be construed as making or constituting Lender a "mortgagee in possession" in the absence of the taking of actual possession of the Premises by Lender pursuant to the provisions set forth herein or in the Assignment of Leases and Rents. In the exercise of the powers herein granted Lender, no liability shall be asserted or enforced against Lender, all such liability being expressly waived and released by Borrower.

3.25 SECURITY AGREEMENT. (a) This Mortgage shall be deemed a "Security Agreement" as defined in the New Jersey Uniform Commercial Code (the "NJUCC"), and creates a security interest in favor of Lender in all property now or hereafter owned by Borrower including, without limitation, all personal property, fixtures and goods affecting property either referred to or described herein or in any way connected with the use or enjoyment of the Mortgaged Property to the extent that under applicable law the same would be governed by the NJUCC (collectively, the "UCC Collateral"). The remedies for any violation of the covenants, terms and conditions of the agreements herein contained shall be as prescribed herein or by general law or, as to such part of the security which is also reflected in any Financing Statement filed to perfect the security interest herein created, by the specific statutory consequences now or hereinafter enacted and specified in the NJUCC, all at Lender's sole election. Borrower and Lender agree that the filing of such a Financing Statement in the records normally having to do with personal property shall not be construed as in any way derogating from or impairing the intention of the parties hereto that everything used in connection with the production of income from the Premises or adapted for use therein or which is described or reflected in this Mortgage is, and at all times and for all purposes and in all proceedings both legal or equitable shall be, regarded as part of the real estate irrespective of whether (i) any such item is physically attached to the improvements, (ii) serial numbers are used for the better identification of certain equipment items capable of being thus identified in a recital contained herein or in any list filed with Lender, or (iii) any such item is referred to or reflected in any such Financing Statement so filed at any time. Similarly, the mention in any such Financing Statement of (A) the rights in or the proceeds of any fire or hazard insurance policy, or (B) any award in eminent domain proceedings for a taking or for loss of value, or (C) Borrower's interest as lessor in any present or future lease or rights to income growing out of the use or occupancy of the Mortgaged Property whether pursuant to lease or otherwise, shall never be construed as in any way altering any of the rights of Lender under this Mortgage or impugning the priority of the Lender's lien granted hereby or by any other recorded document, but such mention in the Financing Statement is declared to be for the protection of the Lender in the event any court or judge shall at any time hold with respect to (A), (B) and (C) that notice of Lender's priority of interest to be effective against a particular class of persons, including, but not limited to, the Federal Government and any subdivisions or entity of the Federal Government, must be filed in the NJUCC records or elsewhere

(b) Borrower hereby authorizes Lender to file one or more Financing Statements



(and any continuations thereof) as Lender deems appropriate and at Buyer's cost and expense in order to perfect the security interest created herein. Borrower shall execute, acknowledge and deliver to Lender, within ten (10) days after request by Lender, any and all security agreements, financing statements and any other similar security instruments reasonably required by Lender, in form and of content reasonably satisfactory to Lender, covering all property of any kind whatsoever owned by Borrower that, in the reasonable opinion of Lender, is essential to the operation of the Mortgaged Property and concerning which there may be any doubt whether title thereto has been conveyed, or a security interest therein perfected, by this Mortgage under the laws of the state in which the Premises are located. Borrower shall further execute, acknowledge and deliver any financing statement, affidavit, continuation statement, certificate or other document as Lender may request in order to perfect, preserve, maintain, continue and extend such security instruments. Borrower further agrees to pay to Lender all fees, costs and expenses (including, without limitation, all reasonable attorneys' fees and expenses and court costs) incurred by Lender in connection with the preparation, execution, recording, filing and refiling of any such document.

3.26 FIXTURE FINANCING STATEMENT. From the date of its recording, this Mortgage shall be effective as a fixture financing statement with respect to all goods constituting part of the Mortgaged Property which are or are to become fixtures related to the real estate described herein. For this purpose, the following information is set forth:

(a) Name and Address of Debtor:

ALX of Paramus LLC  
210 Route 4 East  
Paramus, New Jersey 07652

(b) Name and Address of Secured Party:

Svenska Handelsbanken AB (publ)  
153 East 53rd Street, 37th Floor  
New York, New York 10022

(c) This document covers goods which are or are to become fixtures.

3.27 INTEREST LAWS. It being the intention of Lender and Borrower, for the purposes of this Paragraph 3.27 to comply with the laws of the State of New Jersey, it is agreed that notwithstanding any provision to the contrary in the Note, this Mortgage or any of the other Loan Documents, no such provision shall require the payment or permit the collection of any amount ("Excess Interest") in excess of the maximum amount of interest permitted by law to be charged for the use or detention, or the forbearance in the collection, of all or any portion of the indebtedness evidenced by the Note. If any Excess Interest is provided for, or is adjudicated to be provided for, in the Note, this Mortgage or any of the other Loan Documents, then in such event: (a) the provisions of this Paragraph 3.27 shall govern and control; (b) neither Borrower nor any other party obligated under the terms of the Note or any of the other Loan Documents shall be obligated to pay any Excess Interest; (c) any Excess Interest that Lender may have received hereunder shall, at the option of Lender, be (i) applied

as a credit against the then unpaid principal balance under the Note, accrued and unpaid interest thereon not to exceed the maximum amount permitted by law, or both, (ii) refunded to the payor thereof, or (iii) any combination of the foregoing; (d) the Interest Rate (as that term is defined in the Note) shall be subject to automatic reduction to the maximum lawful contract rate allowed under the applicable usury laws of the State of New Jersey, and the Note, this Mortgage and the other Loan Documents shall be deemed to be automatically reformed and modified to reflect such reduction in the Interest Rate; and (e) neither Borrower nor any other party obligated under the terms of the Note or any of the other Loan Documents shall have any action against Lender for any damages whatsoever arising out of the payment or collection of any Excess Interest.

#### IV

##### DEFAULTS AND REMEDIES

4.01 EVENTS CONSTITUTING DEFAULTS. Each of the following events shall constitute a default (a "Default") under this Mortgage:

(a) Failure of Borrower to make payment (i) with respect to interest or principal due under the Note within five (5) days of the due date thereof, or (ii) with respect to any other amount Borrower is obliged to pay under the Loan Agreement within ten (10) days after a request for payment therefor by the Bank;

(b) Failure of Borrower to comply with any of the requirements of Paragraph 3.09;

(c) Failure of Borrower to perform or observe any other covenant, warranty or other provision contained in this Mortgage and not otherwise covered in any of the other provisions of this Paragraph 4.01; provided, if such default is capable of being cured, Borrower shall have a period of thirty (30) days after the date on which notice of the nature of such failure is given by Lender to Borrower to cure such default; and, if such default is by its nature capable of being cured but cannot be cured within said thirty (30) day period and Borrower diligently commences and prosecutes such cure during said thirty (30) day period no Default shall occur so long as Borrower diligently and continuously prosecutes such cure to completion;

(d) The occurrence of any Event of Default (as such term is defined in the Loan Agreement), or any default or event of default under the terms of any of the other Loan Documents after the expiration of the applicable notice and grace period, if any; or

(e) Termination of the Ground Lease, the occurrence of an Event of Default (as such term is defined in the Ground Lease) or the assignment of the Ground Lease to any party not acceptable to the Lender acting in its sole discretion, or if the Ground Lessee or other entity related to the Ground Lessee acceptable to the Lender is not the lessee in occupancy under the Ground Lease of the portion of the Mortgaged Property identified on Exhibit H to the Loan Agreement to be occupied by the Ground Lessee.

4.02 ACCELERATION OF MATURITY. Upon the occurrence of any Default, at the election of Lender, the entire principal balance then outstanding under the Note, together with all unpaid interest accrued thereon and all other sums due from Borrower thereunder, under this Mortgage or any other Loan Document shall become immediately due and payable with interest thereon at the Default Interest Rate.

4.03 FORECLOSURE OF MORTGAGE; DEED IN LIEU OF FORECLOSURE. Upon the occurrence of any Default, or at any time thereafter, Lender may, at its option, proceed to foreclose the lien of this Mortgage by judicial proceedings in accordance with the laws of the state in which the Premises are located and/or to require Borrower to prepare, execute and deliver to Lender promptly after Lender's written demand therefor, a deed in lieu of foreclosure in recordable form in which Lender (or at Lender's option, Lender's designee) shall be the grantee, conveying all of Borrower's right, title and interest in and to the Mortgaged Property to Lender, and to exercise any other remedies of Lender provided herein or in the other Loan Documents, or which Lender may have at law or in equity. Any failure by Lender to exercise any such option shall not constitute a waiver of its right to exercise the same at any other time. Borrower shall not be entitled to the payment of any compensation or other consideration from Lender for executing and delivering any such deed in lieu of foreclosure. Borrower shall be solely liable for the payment of any realty transfer fee due upon recording any such deed in lieu of foreclosure. The deed in lieu of foreclosure required herein (i) shall be subject only to the Permitted Encumbrances, any permitted subleases under the Ground Lease approved by Lender and which have received a non-disturbance agreement from Lender, and any permitted leasehold mortgages securing loans to any Sublessee under any such subleases which have received a recognition agreement from Lender; and (ii) shall contain at Lender's option a recital that the lien of this Mortgage is not intended by the grantor or grantee to merge in the fee simple title to the Mortgaged Property and that this Mortgage remains a valid and subsisting first lien against the fee simple title thereto.

4.04 LENDER'S CONTINUING OPTIONS. The failure of Lender to declare a Default or exercise any one or more of its options to accelerate the maturity of the indebtedness secured hereby and to foreclose the lien hereof following any Default as aforesaid, or to exercise any other option granted to Lender hereunder in any one or more instances, or the acceptance by Lender of partial payments of such indebtedness, shall neither constitute a waiver of any such Default or of Lender's options hereunder nor establish, extend or affect any grace period for payments due under the Note, but such options shall remain continuously in force. Acceleration of maturity, once claimed hereunder by Lender, may, at Lender's option, be rescinded by written acknowledgment to that effect by Lender and shall not affect Lender's right to accelerate maturity upon or after any future Default.

4.05 LITIGATION EXPENSES. In any proceeding to foreclose the lien of this Mortgage or to enforce or exercise any other remedy of Lender under the Note, this Mortgage, the other Loan Documents or in any other proceeding whatsoever in connection with the Mortgaged Property in which Lender is named as a party, including but not limited to the enforcement or exercise of any remedies after Lender accepts a deed in lieu of foreclosure or obtains a judgment of foreclosure, there shall be allowed and included, as additional indebtedness secured hereby in the judgment or decree resulting therefrom, all out-of-pocket and reasonable expenses paid or incurred in connection with the prosecution or defense of any

such proceeding by or on behalf of Lender, including, without limitation, all reasonable attorneys' fees and expenses and court costs, appraiser's fees, outlays for documentary evidence and expert advice, stenographers' charges, publication costs, survey costs, and costs (which may be estimated as to items to be expended after entry of such judgment or decree) of procuring all abstracts of title, title searches and examinations, title insurance policies and any similar data and assurances with respect to title to the Premises as Lender may deem reasonably necessary, and any other reasonable expenses and expenditures which may be paid or incurred by or on behalf of Lender either to prosecute or defend in any such proceeding (without regard to whether any defense is asserted by Borrower, Ground Lessee, Guarantor, or any sublessee of the Premises and without regard to whether Lender is the prevailing party) or to evidence to bidders at any sale pursuant to any such judgment or decree the true condition of the title to or value of the Premises or the Mortgaged Property. All expenses of the foregoing nature, and such expenses as may be incurred in the protection of any of the Mortgaged Property and the maintenance of the lien of this Mortgage thereon, including, without limitation, all costs, fees and expenses of, and court costs incurred by, any attorney employed by Lender in any litigation affecting the Note, this Mortgage or any of the other Loan Documents, or any of the Mortgaged Property, or the Ground Lease or the Guaranty, or in preparation for the commencement or defense of any proceeding or threatened suit or proceeding in connection therewith, or any defense by Lender of any actions or claims attacking any liens granted to Lender under this Mortgage or any of the other Loan Documents, shall be immediately due and payable by Borrower, together with interest thereon at the Default Interest Rate until paid.

4.06 PERFORMANCE BY LENDER. In the event of any Default, or in the event any action or proceeding is instituted which materially affects, or threatens to materially affect, Lender's interest in the Mortgaged Property, Lender may, but need not, make any payment or perform any act on Borrower's behalf in any form and manner deemed expedient by Lender, and Lender may, but need not, make full or partial payments of principal or interest on prior encumbrances, if any; purchase, discharge, compromise or settle any tax lien or other prior or junior lien or title or claim thereof; redeem from any tax sale or forfeiture affecting the Mortgaged Property; or contest any tax or assessment thereon. All monies paid for any of the purposes authorized herein and all out-of-pocket expenses paid or incurred in connection therewith, including, without limitation, reasonable attorneys' fees and court costs, and any other monies advanced by Lender to protect the Mortgaged Property and the lien of this Mortgage, shall be so much additional indebtedness secured hereby, and shall become immediately due and payable by Borrower to Lender without notice and with interest thereon at the Default Interest Rate from the date an advance is made to and including the date the same is paid. The action or inaction of Lender shall never be construed to be a waiver of any right accruing to Lender by reason of any default by Borrower. Lender shall not incur any personal liability because of anything it may do or omit to do hereunder, nor shall any acts of Lender act as a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Mortgage or to proceed to foreclose this Mortgage.

4.07 RIGHT OF POSSESSION. In any case in which, under the provisions of this Mortgage, Lender has a right to institute foreclosure proceedings, whether or not the entire

principal sum secured hereby becomes immediately due and payable as aforesaid, or whether before or after the institution of proceedings to foreclose the lien hereof or before or after sale thereunder, Borrower shall, forthwith upon demand of Lender, surrender to Lender, and Lender shall be entitled, subject to the rights of the Ground Lessee and Qualified Sublessees (as such term is defined in the Ground Lease) which have been recognized by Lender, to take actual possession of, the Mortgaged Property or any part thereof, personally or by its agent or attorneys, and Lender, in its discretion, may enter upon and take and maintain possession of all or any part of the Mortgaged Property, together with all documents, books, records, papers and accounts of Borrower or the then owner of the Mortgaged Property relating thereto, and may exclude Borrower, such owner and any agents and servants thereof wholly therefrom and may, as attorney-in-fact or agent of Borrower or such owner, or in its own name as Lender and under the powers herein granted:

(a) hold, operate, manage and control all or any part of the Mortgaged Property and conduct the business, if any, thereof, either personally or by its agents, with full power to use such measures, whether legal or equitable, as in its discretion may be deemed proper or necessary to enforce the payment or security of the rents, issues, deposits, profits and avails of the Mortgaged Property, including, without limitation, actions for recovery of rent, and actions in forcible detainer, all without notice to Borrower;

(b) cancel or terminate any lease or sublease of all or any part of the Mortgaged Property for any cause or on any ground that would entitle Borrower to cancel the same;

(c) elect to disaffirm any lease or sublease of all or any part of the Mortgaged Property made subsequent to this Mortgage or subordinated to the lien hereof;

(d) extend or modify any then existing leases and make new leases of all or any part of the Mortgaged Property, which extensions, modifications and new leases may provide for terms to expire, or for options to lessees to extend or renew terms to expire, beyond the maturity date of the Loan and the issuance of a deed or deeds to a purchaser or purchasers at a foreclosure sale, it being understood and agreed that any such leases, and the options or other such provisions to be contained therein, shall be binding upon Borrower, all persons whose interests in the Mortgaged Property are subject to the lien hereof and the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption from sale, discharge of the indebtedness secured hereby, satisfaction of any foreclosure judgment or issuance of any certificate of sale or deed to any such purchaser; and

(e) make all necessary or proper repairs, decorations, renewals, replacements, alterations, additions, betterments and improvements in connection with the Mortgaged Property as may seem judicious to Lender, to insure and reinsure the Mortgaged Property and all risks incidental to Lender's possession, operation and management thereof, and to receive all rents, issues, deposits, profits and avails therefrom.

Nothing herein contained shall be construed as constituting Lender as mortgagee in possession in the absence of the actual taking of possession of the Premises.

4.08 PRIORITY OF PAYMENTS. Any rents, issues, deposits, profits and avails of the Property received by Lender after taking possession of all or any part of the Mortgaged Property, or pursuant to any assignment thereof to Lender under the provisions of this Mortgage and prior to any foreclosure sale or the execution and delivery to Lender of a deed in lieu of foreclosure for the Mortgaged Property in accordance with Paragraph 4.03, shall be applied in payment of or on account of the following, in such order as Lender or, in case of a receivership, as the court, may in its sole and absolute discretion determine:

(a) operating expenses of the Mortgaged Property (including, without limitation, reasonable compensation to Lender, any receiver of the Mortgaged Property, any agent or agents to whom management of the Mortgaged Property has been delegated, and also including lease commissions and other compensation for and expenses of seeking and procuring tenants and entering into leases, establishing claims for damages, if any, and paying premiums on insurance hereinabove authorized);

(b) taxes, assessments for municipal improvements, water and sewer charges now due or that may hereafter become due on the Mortgaged Property, or that may become a lien thereon prior to the lien of this Mortgage;

(c) any and all repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements of the Mortgaged Property (including, without limitation, the cost, from time to time, of installing or replacing any personal property therein, and of placing the Mortgaged Property in such condition as will, in the judgment of Lender or any receiver thereof, make it readily rentable or saleable);

(d) any indebtedness secured by this Mortgage or any deficiency that may result from any foreclosure sale pursuant hereto; and

(e) any remaining funds to Borrower or its successors or assigns, as their interests and rights may appear.

Any rents, issues, deposits, profits and avails of the Property received by Lender after any foreclosure sale or the execution and delivery to Lender of a deed in lieu of foreclosure for the Mortgaged Property in accordance with Paragraph 4.03, shall belong to Lender (or the purchaser at such foreclosure sale or the grantee in the deed in lieu of foreclosure, as the case may be) and Borrower shall have no claim or interest thereto.

4.09 APPOINTMENT OF RECEIVER. Upon the occurrence of any Default, or at any time thereafter, Lender may, at its option, apply to a court of competent jurisdiction for the appointment of a receiver of the Mortgaged Property. Such appointment may be made either before or after sale, without notice; without regard to the solvency or insolvency, at the time of application for such receiver, of the person or persons, if any, liable for the payment of the indebtedness secured hereby; without regard to the value of the Mortgaged Property at such time; without bond being required of the applicant; and Lender hereunder or any employee

or agent thereof may be appointed as such receiver. Such receiver shall have all powers and duties customarily granted to court-appointed receivers, including the power to take possession, control and care of the Mortgaged Property and to collect all rents, issues, deposits, profits and avails thereof and apply all funds received toward the indebtedness secured by this Mortgage, and in the event of a foreclosure sale and a deficiency where Borrower has not waived its statutory rights of redemption, during the full statutory period of redemption, as well as during any further times when Borrower or its devisees, legatees, administrators, legal representatives, successors or assigns, except for the intervention of such receiver, would be entitled to collect such rents, issues, deposits, profits and avails, and shall have all other powers that may be necessary or useful in such cases for the protection, possession, control, management and operation of the Mortgaged Property during the whole of any such period. To the extent permitted by law, such receiver may extend or modify any then existing leases and make new leases of the Mortgaged Property or any part thereof, which extensions, modifications and new leases may provide for terms to expire, or for options to lessees to extend or renew terms to expire, beyond the maturity date of the Loan, it being understood and agreed that any such leases, and the options or other such provisions to be contained therein, shall be binding upon Borrower and all persons whose interests in the Mortgaged Property are subject to the lien hereof, and upon the purchaser or purchasers at any such foreclosure sale, notwithstanding any redemption from sale, discharge of indebtedness, satisfaction of foreclosure judgment or issuance of a deed to any purchaser.

4.10 FORECLOSURE SALE. In the event of any foreclosure sale of the Mortgaged Property, the same may be sold in one or more parcels. Lender may be the purchaser at any foreclosure sale of the Mortgaged Property or any part thereof.

4.11 APPLICATION OF PROCEEDS. The proceeds of any foreclosure sale of the Mortgaged Property, or any part thereof, shall be distributed and applied in the following order of priority: (a) on account of all costs and expenses incident to the foreclosure proceedings, including all such items as are mentioned in Paragraphs 4.05 and 4.06 hereof; (b) all other items that, under the terms of this Mortgage, constitute secured indebtedness additional to that evidenced by the Note, with interest thereon at the Default Interest Rate; (c) all principal and interest, together with any prepayment charge, if any, remaining unpaid under the Note, in the order of priority specified by Lender in its sole and absolute discretion; and (d) the balance, if any, to Borrower or its successors or assigns, as their interests and rights may appear.

4.12 APPLICATION OF DEPOSITS. In the event of any Default, Lender may, at its option, without being required to do so, apply any monies or securities that constitute deposits made to or held by Lender or any depository pursuant to any of the provisions of this Mortgage toward payment of any of Borrower's obligations under the Note, this Mortgage or any of the other Loan Documents in such order and manner as Lender may elect in its sole and absolute discretion. When the indebtedness secured hereby has been fully paid, any remaining deposits shall be paid to Borrower or to the then owner or owners of the Mortgaged Property. Such deposits are hereby pledged as additional security for the prompt payment of the indebtedness evidenced by the Note and any other indebtedness secured hereby and shall be held to be applied irrevocably by such depository for the purposes for which made hereunder and shall not be subject to the direction or control of Borrower.

4.13 INDEMNIFICATION. Borrower shall indemnify and hold harmless Lender and any and all current, future or former officers, directors, employees, representatives and agents of Lender, and each of their respective successors and assigns, from and against any and all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees, expenses and court costs, but not including internal costs of staffing or administration of Lender) incurred by or asserted against Lender by reason of (a) the ownership of the Mortgaged Property or any interest therein or receipt of any rents, issues, proceeds or profits therefrom; (b) any accident, injury to or death of persons, or loss of or damage to property occurring in, on or about the Premises or any part thereof or on the adjoining sidewalks, curbs, adjacent parking areas or streets; (c) any use, nonuse or condition in, on or about the Premises or any part thereof or on the adjoining sidewalks, curbs, adjacent parking areas or streets; (d) any failure on the part of Borrower to perform or comply with any of the terms of this Mortgage; (e) performance of any labor or services or the furnishing of any materials or other property in respect of the Premises or any part thereof; or (f) any defense by Lender of any actions or claims (i) attacking any lien rights of Lender, or (ii) challenging foreclosure of the lien of this Mortgage or any security interests granted herein, by Borrower, Ground Lessee, Guarantor, or any other party (without regard to whether Lender is the prevailing party); (g) the exercise of any remedies by Lender under any of the Loan Documents, including but not limited to the exercise of any remedies after Lender accepts a deed in lieu of foreclosure or obtains a judgment of foreclosure; and (h) any realty transfer fee due upon the recording of any deed in lieu of foreclosure or any Sheriff's deed delivered in connection with any foreclosure of this Mortgage. Any amounts owed to Lender by reason of this Paragraph 4.13 shall constitute additional indebtedness which is secured by this Mortgage and shall become immediately due and payable upon demand therefor, and shall bear interest at the Default Interest Rate from the date such loss or damage is sustained by Lender until paid. The obligations of Borrower under this Paragraph 4.13 shall survive any termination, discharge, cancellation or satisfaction of this Mortgage, the delivery to Lender of any deed in lieu of foreclosure and the entry of any judgment of foreclosure.

4.14 WAIVER OF RIGHT OF REDEMPTION AND OTHER RIGHTS. To the full extent permitted by law, Borrower agrees that it will not at any time or in any manner whatsoever take any advantage of any stay, exemption or extension law or any so-called "Moratorium Law" now or at any time hereafter in force, nor take any advantage of any law now or hereafter in force providing for the valuation or appraisal of the Mortgaged Property, or any part thereof, prior to any sale thereof to be made pursuant to any provisions herein contained, or to any decree, judgment or order of any court of competent jurisdiction; or after such sale claim or exercise any rights under any statute now or hereafter in force to redeem the property so sold, or any part thereof, or relating to the marshalling thereof, upon foreclosure sale or other enforcement hereof. To the full extent permitted by law, Borrower hereby expressly waives any and all rights it may have to require that the Premises be sold as separate tracts or units in the event of foreclosure. To the full extent permitted by law, Borrower hereby expressly waives any and all rights of redemption on its own behalf, on behalf of all persons claiming or having an interest (direct or indirect) by, through or under Borrower and on behalf of each and every person acquiring any interest in or title to the Premises subsequent to the date



hereof, it being the intent hereof that any and all such rights of redemption of Borrower and such other persons, are and shall be deemed to be hereby waived to the full extent permitted by applicable law. To the full extent permitted by law, Borrower agrees that it will not, by invoking or utilizing any applicable law or laws or otherwise, hinder, delay or impede the exercise of any right, power or remedy herein or otherwise granted or delegated to Lender, but will permit the exercise of every such right, power and remedy as though no such law or laws have been or will have been made or enacted. To the full extent permitted by law, Borrower hereby agrees that no action for the enforcement of the lien or any provision hereof shall be subject to any defense which would not be good and valid in an action at law upon the Note.

V

MISCELLANEOUS

5.01 NOTICES. Any notice that Lender or Borrower may desire or be required to give to the other hereunder shall be in writing and shall be personally delivered, transmitted by postage prepaid registered or certified mail, or by facsimile, to the parties as follows:

To Borrower: ALX of Paramus LLC  
c/o Alexander's Inc.  
210 Route 4 East  
Paramus, New Jersey 07652  
Attention: Chief Financial Officer  
Facsimile No. 201-587-6210

ALX of Paramus, LLC  
c/o Alexander's Inc.  
210 Route 4 East  
Paramus, New Jersey 07652  
Attention: Vice President - Real Estate  
Facsimile No. 201-587-6207

with a copy (for information purposes only) to: Winston & Strawn  
200 Park Avenue  
New York, New York 10166-4193  
Attention: Neil Underberg, Esq.  
Facsimile No.: 212-294-4700

To Lender: Svenska Handelsbanken AB (publ)  
153 East 53rd Street, 37th Floor  
New York New York 10022  
Attention: Corporate Banking Department  
Facsimile No.: (212) 326-5110

with a copy to: Sussman SOLLIS Ebin Tweedy  
& Wood, LLP

767 Fifth Avenue, 8th Floor  
New York, New York 10153-0898  
Attention: Robert F. Ebin, Esq.  
Facsimile No.: (212) 688-8386

Copies of such notices, for informational purposes only, shall be transmitted by mail to counsel to the parties, as the parties may from time to time designate. All notices and other communications shall be deemed to have been duly given on the date of receipt if delivered personally, on the date five (5) days after posting if transmitted by mail, or in the case of facsimile at the time sent, provided that any notice to be given to the Lender shall be effective only when actually received by the Lender. Either party may change its address for purposes hereof by notice to the other. Except as otherwise specifically required herein, notice of the exercise of any right or option granted to Lender by this Mortgage is not required to be given.

5.02 TIME OF ESSENCE. It is specifically agreed that time is of the essence of this Mortgage with respect to payments required hereunder.

5.03 COVENANTS RUN WITH LAND. All of the covenants of this Mortgage shall run with the land constituting the Premises.

5.04 GOVERNING LAW; LITIGATION. Except as otherwise specifically provided herein, the place of the location of the Mortgaged Property being the State of New Jersey, this Mortgage shall be construed and enforced according to the laws of that State. To the extent that this Mortgage may operate as a security agreement under the Uniform Commercial Code, Lender shall have all rights and remedies conferred therein for the benefit of a secured party, as such term is defined therein. TO THE MAXIMUM EXTENT PERMITTED BY LAW, BORROWER HEREBY AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS MORTGAGE SHALL BE TRIED AND DETERMINED EITHER IN THE STATE OR FEDERAL COURT LOCATED IN THE COUNTY OF BERGEN, STATE OF NEW JERSEY, OR, AT THE SOLE OPTION OF LENDER, IN THE BOROUGH OF MANHATTAN, CITY OF NEW YORK OR IN ANY OTHER COURT IN WHICH LENDER SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. TO THE MAXIMUM EXTENT PERMITTED BY LAW, BORROWER HEREBY EXPRESSLY WAIVES ANY RIGHT IT MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS PARAGRAPH 5.04. TO THE MAXIMUM EXTENT PERMITTED BY LAW, BORROWER HEREBY WAIVES PERSONAL SERVICE OF PROCESS UPON BORROWER, AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY REGISTERED MAIL DIRECTED TO BORROWER AT THE ADDRESS STATED IN THIS MORTGAGE AND SERVICE SO MADE WILL BE DEEMED TO BE COMPLETED UPON ACTUAL RECEIPT.

5.05 RIGHTS AND REMEDIES CUMULATIVE. All rights and remedies set forth in this

Mortgage are cumulative, and the holder of the Note and of every other obligation secured hereby may recover judgment hereon, issue execution therefor, and resort to every other right or remedy available at law or in equity, without first exhausting and without affecting or impairing the security of any right or remedy afforded hereby.

5.06 SEVERABILITY. If any provision of this Mortgage or any paragraph, sentence, clause, phrase or word, or the application thereof, is held invalid in any circumstance, the validity of the remainder of this Mortgage shall be construed as if such invalid part were never included herein.

5.07 NON-WAIVER. Unless expressly provided in this Mortgage to the contrary, no consent or waiver, whether express or implied, by any interested party referred to herein to or of any breach or default by any other interested party referred to herein regarding the performance by such party of any obligations contained herein shall be deemed a consent to or waiver of the party of any obligations contained herein or shall be deemed a consent to or waiver of the performance by such party of any other obligations hereunder or the performance by any other interested party referred to herein of the same, or of any other, obligations hereunder.

5.08 HEADINGS. The headings of sections and paragraphs in this Mortgage are for convenience or reference only and shall not be construed in any way to limit or define the content, scope or intent of the provisions hereof.

5.09 GRAMMAR. As used in this Mortgage, the singular shall include the plural, and masculine, feminine and neuter pronouns shall be fully interchangeable, where the context so requires. Whenever the words "including", "include" or "includes" are used in this Mortgage, they should be interpreted in a non-exclusive manner as though the words ", without limitation," immediately followed the same.

5.10 SUCCESSORS AND ASSIGNS. This Mortgage and all provisions hereof shall inure to the benefit of Lender and shall be binding upon Borrower, its permitted successors, permitted assigns, and all other persons or entities claiming under or through Borrower. The word "Borrower," when used herein, shall include all such persons and entities and any others liable for the payment of the indebtedness secured hereby or any part thereof, whether or not they have executed the Note or this Mortgage. The word "Lender," when used herein, shall include Lender's successors, assigns and legal representatives, including all other holders, from time to time, of the Note.

5.11 NO JOINT VENTURE. Borrower and Lender acknowledge and agree that under no circumstances shall Lender be deemed to be a partner or joint venturer with Borrower or any beneficiary of Borrower, including, without limitation, by virtue of its becoming a mortgagee in possession or exercising any of its rights pursuant to this Mortgage or pursuant to any of the other Loan Documents, or otherwise.

5.12 ADDITIONAL FEES.

(a) Borrower agrees to pay on demand all of the out-of-pocket costs and

expenses of Lender (including, without limitation, the reasonable fees and out-of-pocket expenses of Lender's counsel) in connection with the preparation, negotiation, execution and delivery of the Note, this Mortgage, any of the other Loan Documents and all other instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith (including, without limitation, all amendments, supplements and waivers executed and delivered pursuant hereto or in connection herewith).

(b) The reasonable costs and expenses which Lender incurs in any manner or way with respect to the following shall be part of the indebtedness secured hereby, payable by Borrower on demand, if at any time after the date of this Mortgage, Lender: (i) employs counsel for advice or other representation (A) with respect to the amendment or enforcement of the Note, this Mortgage or any of the other Loan Documents, (B) to represent Lender in any work-out or any type of restructuring of the Loan, or any litigation, contest, dispute, suit or proceeding or to commence, defend or intervene or to take any other action in or with respect to any litigation, contest, dispute, suit or proceeding (whether instituted by the Lender, Borrower or any other person or entity) in any way or respect relating to the Note, this Mortgage, any of the other Loan Documents, Borrower's affairs or the realization on any collateral securing the indebtedness secured hereby (whether prior to or after entry of a judgment of foreclosure), or (C) to enforce any of the rights of Lender with respect to Borrower; and/or (ii) seeks to enforce or enforces any of the rights and remedies of Lender with respect to Borrower. Without limiting the generality of the foregoing, such expenses, costs, charges and fees include: reasonable fees, costs and expenses of attorneys, outside accountants and consultants; court costs and expenses; court reporter fees, costs and expenses; long distance telephone charges of counsel or such professionals; telegram and telecopier charges; and expenses for travel, lodging and food as to such counsel or professionals.

5.13 LOAN PROCEEDS. The proceeds of the Loan are to be disbursed by Lender to Borrower in accordance with the provisions contained in the Note. All advances and indebtedness arising and accruing under the Note from time to time shall be secured hereby to the same extent as though the Note were fully incorporated in this Mortgage, and the occurrence of any event of default under the Note shall constitute a default under this Mortgage entitling Lender to all of the rights and remedies conferred upon Lender by the terms of this Mortgage or by law, as in the case of any other default.

5.14 RECAPTURE. To the extent Lender receives any payment by or on behalf of Borrower, which payment or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to Borrower or its respective estate, trustee, receiver, custodian 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 repayment, the obligation or part thereof which has been paid, reduced or satisfied by the amount so repaid shall be reinstated by the amount so repaid and shall be included within the indebtedness hereby secured as of the date such initial payment, reduction or satisfaction

occurred.

5.15 NO LIEN MANAGEMENT AGREEMENTS To the full extent permitted by law, Borrower shall include a "no lien" provision in any property management agreement hereafter entered into by Borrower with a property manager for the Mortgaged Property, whereby the property manager waives and releases any and all lien rights that the property manager, or anyone claiming through or under the property manager, may have pursuant to the Construction Lien Law, N.J.S.A. 2A:44A-1 et seq. or otherwise. Such property management agreement containing such "no lien" provision or a short form thereof shall, at Lender's request, be recorded with the Recorder of Deeds of Bergen County, New Jersey, as appropriate.

5.16 DEED IN TRUST. If title to the Mortgaged Property or any part thereof is now or hereafter becomes vested in a trustee, any prohibition or restriction contained herein against the creation of any lien on the Mortgaged Property shall be construed as a similar prohibition or restriction against the creation of any lien on or security interest in the beneficial interest of such trust.

5.17 COLLATERAL PROTECTION ACT. Unless Borrower provides Lender with evidence of the insurance required by this Mortgage or any other Loan Document, Lender may purchase insurance at Borrower's expense to protect Lender's interest in the Mortgaged Property or any other collateral for the indebtedness secured hereby. This insurance may, but need not, protect Borrower's interests. The coverage Lender purchases may not pay any claim that Borrower makes or any claim that is made against Borrower in connection with the Mortgaged Property or any other collateral for the indebtedness secured hereby. Borrower may later cancel any insurance purchased by Lender, but only after providing Lender with evidence that Borrower has obtained insurance as required under by this Mortgage or any other Loan Document. If Lender purchases insurance for the Mortgaged Property or any other collateral for the indebtedness secured hereby, Borrower shall be responsible for the costs of that insurance, including interest in any other charges that Lender may lawfully impose in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to the indebtedness secured hereby. The costs of the insurance may be more than the cost of insurance that Borrower may be able to obtain on its own.

5.18 OFFSETS, COUNTERCLAIMS AND DEFENSES. Any assignee of this Mortgage and the Note shall take the same free and clear of all offsets, counterclaims or defenses of any nature whatsoever which the Borrower may have against any assignor of this Mortgage and the Note, and no such offset, counterclaim or defense shall be interposed or asserted by the Borrower in any action or proceeding brought by any such assignee upon this Mortgage or the Note and any such right to interpose or assert any such offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by the Borrower.

5.19 PERFORMANCE OF OTHER AGREEMENTS. The Borrower shall observe and perform each and every term to be observed or performed by the Borrower pursuant to the terms of any agreement or recorded instrument affecting or pertaining to the Mortgaged Property.

5.20 NO CREDITS. Borrower will not claim or demand or be entitled to receive any

credit or credits on the principal indebtedness to secure payment thereon, for so much of the taxes assessed against the Mortgaged Property as is equal to the tax rate applied to the principal indebtedness due on this Mortgage or any part thereof and no deduction shall be claimed from the taxable value of the Mortgaged Property by reason of this Mortgage.

5.21 EXCULPATION. Notwithstanding anything to the contrary contained in the Loan Documents (as hereinafter defined), the liability and obligation of the Borrower to perform and observe and make good the obligations contained in the Loan Documents and to pay the Loan in accordance with the provisions of the Note and this Mortgage shall not be enforced by any action or proceeding wherein damages or any money judgment or any deficiency judgment or any judgment establishing any personal obligation or liability shall be sought, collected or otherwise obtained against the Borrower or against any past, present or future member, partner, officer, director or shareholder of the Borrower, as applicable, and the Lender for itself and its successors and assigns irrevocably waives any and all right to sue for, seek or demand any such damages, money judgment, deficiency judgment or personal judgment against the Borrower or against any past, present or future member, partner, officer, director or shareholder of the Borrower, as applicable, under or by reason of or in connection with the Loan Documents and agrees to look solely to the security and collateral held under or in connection with the Loan Documents for the enforcement of such liability and obligation of the Borrower. Nothing contained in this Paragraph 5.21 shall be construed (i) as preventing the Lender from naming the Borrower or any past, present or future member, partner, officer, director or shareholder of the Borrower, as applicable, in any action or proceeding brought by the Lender to enforce and to realize upon the security and collateral provided under or in connection with the Loan Documents so long as no judgment, order, decree or other relief in the nature of a personal or deficiency judgment or otherwise establishing any personal obligation shall be asked for, taken, entered or enforced against the Borrower or against any past, present or future member, partner, officer, director or shareholder of the Borrower, as applicable, in any such action or proceeding, or (ii) as modifying, qualifying or affecting in any manner whatsoever the lien and security interests created by this Mortgage and the other Loan Documents or the enforcement thereof by the Lender, or (iii) as modifying, qualifying or affecting in any manner whatsoever the personal recourse undertakings, obligations and liabilities of the Borrower under Paragraph 3.23 of this Mortgage entitled "Hazardous Waste," or (iv) as modifying, qualifying or affecting in any manner whatsoever the personal recourse undertakings, obligations and liabilities of Borrower under the Environmental Indemnity Agreement of even date herewith made by Borrower for the benefit of Lender, or (v) as modifying, qualifying or affecting in any manner whatsoever the personal recourse liability of the Borrower for any claim arising out of any of the following actions of the Borrower: (a) fraud or intentional misrepresentation by the Borrower or any of its Affiliates (as such term is defined in the Loan Agreement) in connection with the execution and delivery of the Note or other Loan Documents, (b) misapplication of security deposits under the Ground Lease, (c) collection of Rents (as such term is defined in the Assignment of Leases and Rents) under the Ground Lease more than one month in advance, (d) misapplication of casualty insurance proceeds or condemnation awards or Purchase Option sale proceeds under the Ground Lease, or (e) for any breach of Sections 5.10 or 6.11 of the Loan Agreement.

5.22 GROUND LEASE. This Mortgage is prior and superior to the Ground Lease, and, in respect thereof, the Borrower hereby warrants, represents and covenants with the Lender that:

(a) the Ground Lease is valid, enforceable against Borrower in accordance with its terms and is in full force and effect on the date hereof; no Event of Default (as such term is defined in the Ground Lease) has occurred and no event has occurred which with the giving of notice or passage of time or both would constitute such an Event of Default;

(b) the Borrower shall not (i) enter into any agreement with the Ground Lessee to amend, modify, renew, or in any manner change the terms of the Ground Lease or the rent thereunder, either orally or in writing and whether or not permitted to do so by the terms of the Ground Lease, without the prior written consent of the Lender which consent may be withheld in the Lender's sole and absolute discretion; or (ii) enter into any agreement with the Guarantor to amend, modify, renew, or in any manner change the terms of the Guaranty either orally or in writing and whether or not permitted to do so by the terms of the Guaranty, without the prior written consent of the Lender which consent may be withheld in the Lender's sole and absolute discretion;

(c) the occurrence of any Event of Default (as defined in the Ground Lease) under the Ground Lease shall ipso facto constitute a Default under this Mortgage;

(d) the Borrower shall (i) promptly notify the Lender in writing of the occurrence of any default or Event of Default known to the Borrower under the Ground Lease or any instrument or agreement related thereto including but not limited to the Guaranty, (ii) promptly notify the Lender of receipt by the Borrower of any notice noting or claiming the occurrence of any default or Event of Default under the Ground Lease or any instrument or agreement relating thereto including but not limited to the Guaranty, and (iii) promptly cause a copy of each such notice received by the Borrower to be delivered to the Lender;

(e) the Borrower shall furnish to the Lender ten (10) days after the mailing by the Lender of a written request therefor, but not more than four (4) times per year, proof reasonably satisfactory to the Lender of payment of all items which are required to be paid by the Ground Lessee or the Borrower under the Ground Lease or any instrument or agreement related thereto;

(f) the Lender shall have the right, at its option, to perform the obligations of the Borrower under the Ground Lease without the Lender waiving any other of its rights under this Mortgage. Should the Lender exercise its right hereunder to cure a default under the Ground Lease, the Borrower shall reimburse the Lender for any expenses the Lender shall have incurred pursuant to the provisions of this Paragraph 5.22, and any such expenditures shall become a lien upon the Mortgaged Property and shall together with interest at the Default Interest Rate be secured by this Mortgage. The Borrower shall take all reasonable steps to insure the Lender will have a reasonable opportunity at Lender's option, in its sole and absolute discretion, to cure any or all defaults under the Ground Lease;

(g) the Borrower shall not agree, or consent, to any assignment of the Ground Lease by the Ground Lessee whether or not permitted to do so by the terms of the Ground Lease, without the prior written consent of the Lender, including but not limited to agreeing or consenting to any leasehold mortgage made by Ground Lessee of its right, title and interest in and to the Premises under the Ground Lease and the leasehold estate created thereby. Lender will grant its consent to a leasehold mortgage given to secure a loan to Ground Lessee the proceeds of which are used by Ground Lessee to construct the initial improvements on the Premises provided, however, (i) no Default has occurred and is continuing; (ii) no Event of Default has occurred under the Ground Lease and is continuing; (iii) no event has occurred which with the giving of notice or passage of time or both would constitute a Default under this Mortgage or an Event of Default under the Ground Lease; (iv) such leasehold mortgage is fully subordinate to this Mortgage; (v) the holder of such leasehold mortgage is and remains an entity which is a member of the IKEA Group of companies; (vi) such leasehold mortgage provides expressly that neither such leasehold mortgage nor any participation in such leasehold mortgage may be sold, assigned, collateralized or securitized; and (vii) such leasehold mortgage may not be recorded until all improvements, the cost which are funded by the proceeds of such loan, have been fully completed and the Ground Lessee shall have taken possession and commenced operation of such improvements pursuant to the Ground Lease;

(h) Except for this Mortgage, the Ground Lease and the Assignment of Leases and Rents, the Borrower shall not permit the Mortgaged Property, including but not limited to the Ground Lease or the rents payable thereunder, to be subject to any liens, charges, encumbrances or other security interests, without the prior written consent of the Bank; provided, however, that the foregoing restrictions shall not apply to (i) liens for taxes, assessments or other governmental charges or levies if the same shall not at the time be delinquent; (ii) liens arising out of pledges or deposits under workers' compensation laws, unemployment insurance, old age pensions, or social security or retirement benefits or similar legislation; (iii) liens of contractors, mechanics, materialmen, carriers, landlords and other similar common law or statutory liens arising in the ordinary course of business; (iv) a mortgage to finance Ground Lessee's construction of improvements as described in Paragraph 5.22(g); and (v) sublease financing consented to by the Lender;

(i) The Borrower shall not agree or consent to any sublease of the Ground Lease, or to any amendment, modification, renewal or any other change in any sublease or the rent thereunder, either orally or in writing, and whether or not permitted to do so by the terms of the Ground Lease, without the prior written consent of the Lender. The Lender will not unreasonably withhold its consent to subleases of the Mortgaged Property at fair market rents which meet the criteria for subleases set forth in the Ground Lease, and, if such consent is given, will grant sublessees recognition and non-disturbance and permit sublessee leasehold financing and recording of a mortgage securing such subleasehold financing; provided, however, that the Ground Lessee shall have furnished the Lender with (i) reasonably detailed information regarding the proposed sublessee, (ii) a term sheet which details the principal terms for the proposed sublease, (iii) financial statements for the proposed sublessee, (iv) the location of any sublease improvements on the Property to the extent the same differs from the proposed sublessee location plan attached to the Loan Agreement as Exhibit H (the "Location Plan"), and (v) the form of the proposed sublease, and provided, further, that if the subleases meet the requirements in this Paragraph 5.22(i) subparagraphs (i) through (v), then the only grounds for withholding consent by the Lender to any such sublease shall



be a lack of long-term financial viability of the proposed sublessee or a proposed use of the Mortgaged Property by the sublessee which is environmentally sensitive. The Lender's prior written consent shall also be required as to the location of any improvements on the Mortgaged Property by a sublessee to the extent the same differs from the Location Plan and the Lender shall not be required to consent to more than the number of subleases of the Mortgaged Property shown on the Location Plan in effect at any one time. This provision is a material inducement for the Lender extending the Loan to the Borrower;

(j) The Borrower shall not agree or consent to any cancellation, termination or surrender by Ground Lessee of the Ground Lease, without the Lender's prior written consent, which consent may be withheld in Lender's sole and absolute discretion; and

(k) The Ground Lease and the Guaranty shall provide that the Ground Lessee and the Guarantor shall be liable to Borrower and Lender for all costs, fees and expenses of, and court costs incurred by, any attorney employed by Lender in any litigation affecting the Note, this Mortgage or any of the other Loan Documents, or any of the Mortgaged Property, or the Ground Lease or the Guaranty, or in preparation for the commencement or defense of any proceeding or threatened suit or proceeding in connection therewith, or any defense by Lender of any actions or claims attacking any liens granted to Lender under this Mortgage or any of the other Loan Documents (without regard to whether Lender is the prevailing party), and arising or resulting from any claim or defense asserted by Ground Lessee and/or Guarantor.

5.23 NO CHANGE ETC. Neither this Mortgage nor any provision hereof may be changed, waived, discharged or terminated, except by an instrument in writing, signed by Lender and Borrower.

5.24 MODIFICATIONS; PRIORITY. Borrower and Lender may agree to change the interest rate, Maturity Date, or other term or terms of this Mortgage, or any of the documents referred to therein, or of the indebtedness secured hereby. Any such agreement shall be in writing and duly executed by both Borrower and Lender. In the event that any such agreement shall occur, it shall, to the extent permitted by law, be deemed a "modification" as defined in N.J.S.A. 46:9-8.1 ET SEQ., and this Mortgage shall be subject to, and Lender shall be the beneficiary of, the mortgage lien priority provisions of N.J.S.A. 46:9-8.2. Further, all advances made under the Loan Documents, whether or not entitled to priority under N.J.S.A. 46:9-8.2, shall be deemed to be obligatory advances when made, shall be secured hereby, and shall, to the maximum extent possible under the law, relate back as to lien priority to the date when this Mortgage was left for recording with the Bergen County Recorder of Deeds. By placing or accepting any lien or encumbrance against any or all of the Premises, the holder thereof shall be deemed to have agreed to the maximum extent possible under the law that its lien or encumbrance shall be subject and subordinate in lien priority to this Mortgage and to any subsequent advances made under the Loan Documents, to all accrued and unpaid interest and to all other sums secured hereby.

5.25 NO RELEASE. No extension or indulgence granted to Borrower, and no alteration, change or modification of the Loan Documents consented or agreed to by Lender and no other act or omission of Lender, including the taking of additional security or the release of any security shall constitute a release of the lien and obligation of the Mortgage or be interposed

as a defense against the enforcement of this Mortgage, except an act of Lender which constitutes an express, effective release and satisfaction of the Note, and all other obligations secured hereby.

5.26 FURTHER ASSURANCES. If at any time Lender shall reasonably deem that any further instruments, documents, acts or things are necessary or desirable to vest or confirm any right or remedy herein granted, Borrower shall execute, acknowledge when appropriate and deliver any instrument or document and do or cause to be done any act or thing deemed necessary or desirable by Lender for any such purposes.

5.27 SPECIAL NOTICES. Notwithstanding any other notice requirements set forth herein, Borrower shall give Lender prompt written notice of the occurrence of any of the following:

- (i) receipt from any governmental authority of any notice of a material violation relating to the construction, use or occupancy of the Premises or any part thereof;
- (ii) commencement of any litigation or proceeding materially affecting the Premises or title thereto or any part thereof; and
- (iii) receipt of any notice of the imposition of, or of threatened or actual execution on, any lien on, or security interest in, the Premises.

5.28 NO THIRD PARTY BENEFICIARY. This Mortgage is made solely for the benefit of Lender and its successors and its assigns. No purchaser of the Premises or any tenant under any lease thereof, nor any other person, shall have standing to bring any action against Lender as a result of this Mortgage, or to assume that Lender will exercise any remedies provided therein, and no person other than Lender shall under any circumstances be deemed to be a beneficiary of any provision of this Mortgage.

5.29 INCONSISTENT PROVISIONS. In the event of any inconsistency between the terms of the Note, this Mortgage or any of the other Loan Documents, the terms of the document selected by Lender shall prevail.

5.30 NOTICE OF CHANGE IN NAME. Borrower shall give advance notice in writing to Lender of any proposed change in Borrower's name or identity and shall execute and deliver to Lender, prior to or concurrently with the occurrence of any such change, all additional financing statements that Lender may require to establish and maintain the validity and priority of Lender's security interest with respect to any of the Mortgaged Property described or referred to herein.

5.31 ACCEPTANCE OF PERFORMANCE. If Borrower causes any of Borrower's obligations in this Mortgage to be performed by Ground Lessee pursuant to the Ground Lease provisions, Lender agrees to accept such performance as if such obligation had been performed by

Borrower, provided, however, Ground Lessee's failure to perform any such obligation shall not excuse the performance by Borrower of all of Borrower's obligations hereunder. However, if any such obligations are to be in the first instance performed by Borrower and a Default has occurred, Lender need not accept any such performance by Ground Lessee.

BORROWER ACKNOWLEDGES THAT IT HAS RECEIVED, FREE OF CHARGE, A TRUE AND CORRECT COPY OF THIS MORTGAGE.

[The rest of this page left intentionally blank.]

5.31 JURY WAIVER. TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH OF BORROWER AND LENDER HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY ACTION, CAUSE OF ACTION, CLAIM, DEMAND OR PROCEEDING ARISING UNDER OR WITH RESPECT TO THIS MORTGAGE, OR IN ANY WAY CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE DEALINGS OF BORROWER AND LENDER WITH RESPECT TO THIS MORTGAGE, OR THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH OF BORROWER AND LENDER HEREBY AGREES THAT ANY SUCH ACTION, CAUSE OF ACTION, CLAIM, DEMAND OR PROCEEDING SHALL BE DECIDED BY A COURT TRIAL WITHOUT A JURY AND THAT BORROWER OR LENDER MAY FILE A COPY OF THIS MORTGAGE WITH ANY COURT OR OTHER TRIBUNAL AS WRITTEN EVIDENCE OF THE CONSENT OF EACH OF BORROWER AND LENDER TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY. BORROWER AGREES THAT IT WILL NOT ASSERT ANY CLAIM AGAINST LENDER ON THE THEORY OF LIABILITY FOR SPECIAL, INDIRECT, CONSEQUENTIAL, INCIDENTAL OR PUNITIVE DAMAGES.

IN WITNESS WHEREOF, Borrower has executed this Mortgage as of the date and year first above written.

Witness: ALX OF PARAMUS LLC

/S/ PATRICK HOGAN By: /S/ JOSEPH MACNOW  
-----  
Joseph Macnow, Executive Vice President  
As to Joseph Macnow of Finance and Administration

/S/ BRIAN KURTZ By: /S/ STEVEN SANTORA  
-----  
Steven Santora, Assistant Secretary  
As to Steven Santora

STATE OF \_\_\_\_\_ )  
 ) SS.  
COUNTY OF \_\_\_\_\_ )

I CERTIFY that on \_\_\_\_\_, 2001, Joseph Macnow, personally appeared before me and this person acknowledged under oath, to my satisfaction, that this person:

(a) signed the attached instrument as duly authorized executive Vice President of Finance and Administration of ALX of Paramus, LLC, a limited liability company of the State of Delaware, named in this instrument, and

(b) is authorized to execute the attached instrument on behalf of such limited liability company; and

(c) executed the attached instrument as the act of such limited liability company.

-----  
Notary Public

STATE OF \_\_\_\_\_ )  
 ) SS.  
COUNTY OF \_\_\_\_\_ )

I CERTIFY that on \_\_\_\_\_, 2001, Steven Santora, personally appeared before me and this person acknowledged under oath, to my satisfaction, that this person:

(a) signed the attached instrument as the duly authorized Assistant Secretary of ALX of Paramus, LLC, a limited liability company of the State of Delaware, named in this instrument, and

(b) is authorized to execute the attached instrument on behalf of such limited liability company; and

(c) executed the attached instrument as the act of such limited liability company.

-----  
Notary Public

EXHIBIT A  
LEGAL DESCRIPTION

PARCEL I:

BEING ALL that tract or parcel of land and premises, situated, lying and being in the Borough of Paramus, County of Bergen State of New Jersey and being more particularly described as follows:

Beginning at the point of intersection of the Northerly line of New Jersey State Highway Route 4 (being 65.00 feet measured at right angles from the center line) with the Easterly line of the Garden State Parkway all as shown on a certain map entitled "Major Subdivision for Paramus/Alexander's/Hahn/Somes-Alterman, N.J.S.H. Route 4 West and J.J.S.H. Route 17 South, Paramus, Bergen County, New Jersey", prepared by Lapatka Associates, Inc., dated 12-24-87 and bearing 1-16-89 as its latest revision date, filed in the Bergen County Clerk's Office on 10-4-89 as Map No. 8695 and running; thence,

- 1) Along the Easterly line of the Garden State Parkway, North 60 Degrees and 27 minutes and 15 seconds East, 428.16 feet to a point; thence,
- 2) Along the same, North 59 degrees and 19 minutes and 52 seconds East, 199.97 feet to a point; thence,
- 3) Along the same, North 57 degrees and 31 minutes and 44 seconds East, 195.58 feet to a point; thence,
- 4) Along the same, North 53 degrees and 35 minutes and 28 seconds East, 198.81 feet to a point; thence,
- 5) Along the same, North 49 degrees and 42 minutes and 46 seconds East, 197.95 feet to a point; thence,
- 6) Along the same, North 46 degrees and 32 minutes and 53 seconds East, 287.90 feet to a point; thence,
- 7) Along the same, North 41 degrees and 09 minutes and 46 seconds East, 232.45 feet to a point; thence,
- 8) Continuing along the Easterly line of the Garden State Parkway, North 37 degrees and 42 minutes and 15 seconds East, 88.66 feet to a point; thence,
- 9) Along the Southerly line of Lot 1 in Block 1201 as shown on the referenced subdivision, South 51 degrees and 53 minutes and 42 seconds East, 205.30 feet to a point; thence,
- 10) Along the Easterly line of Lot 1 in Block 1201, North 38 degrees and 06 minutes and 18

seconds East, 85.00 feet to a point; thence,

- 11) Along the Southerly line of Lot 2 in Block 1201 as shown on the referenced subdivision, South 51 degrees and 53 minutes and 42 seconds East, 400.00 feet to a point; thence
- 12) Along the Easterly line of Lot 2 in Block 1201, North 38 degrees and 06 minutes and 18 seconds East, 15.00 feet to a point; thence,
- 13) Along the Southerly line of Lot 12 in Block 1201 as shown on the referenced subdivision, South 51 degrees and 53 minutes and 42 seconds East, 140.72 feet to a point; thence
- 14) Along the Westerly line of N.J.S.H Route 17 (120.00 feet wide), South 07 degrees and 53 minutes and 26 seconds West, 385.88 feet to a point; thence,
- 15) Along the Easterly line of Lot 7 in Block 1202 as shown on the referenced subdivision, North 02 degrees and 31 minutes and 19 seconds West, 42.63 feet to a point on a curve; thence,
- 16) Westerly, along the Northerly line of Lot 7 in Block 1202 on a curve to the right having a radius of 25.00 feet, central angle of 73 degrees and 42 minutes and 40 seconds (chord bearing North 89 degrees and 01 minutes and 40 seconds West), an arc distance of 32.16 feet to a point of tangency; thence,
- 17) Along the same, North 52 degrees and 10 minutes and 20 seconds West, 97.92 feet to a point; thence,
- 18) Along a Westerly line of Lot 7 in Block 1202, South 39 degrees and 35 minutes and 56 seconds West, 111.89 feet to a point; thence,
- 19) Along the same, South 37 degrees and 39 minutes and 55 seconds West, 93.00 feet to a point; thence,
- 20) Along a Southerly line of Lot 7 in Block 1202, South 52 degrees and 20 minutes and 05 seconds East, 100.00 feet to a point; thence,
- 21) Along a Westerly line of Lot 7 in Block 1202, South 37 degrees and 39 minutes and 55 seconds West, 25.00 feet to a point; thence,
- 22) Along a Southerly line of Lot 7 in Block 1202, South 52 degrees and 20 minutes and 05 seconds West, 176.20 feet to a point; thence,
- 23) Along the Westerly line of N.J.S.H. Route 17, South 07 degrees and 53 minutes and 26 seconds West, 1.49 feet to a point; thence,
- 24) Along the same, South 07 degrees and 37 minutes and 51 seconds West, 44.71 feet to a point; thence,
- 25) Along the Northerly line of existing Lot 2 in Block 1203 being lands, now or formerly, of the

New Jersey Department of Transportation, North 52 degrees and 20 minutes and 05 seconds West, 9.32 feet to a point; thence,

- 26) Along the Westerly line of existing lot 2 in Block 1203, South 37 degrees and 39 minutes and 55 seconds West, 100.00 feet to a point; thence,
- 27) Along the Southerly line of the same and existing Lot 3 in Block 1203 being lands, now or formerly, of Gabriel Associates, South 52 degrees and 20 minutes and 05 seconds East, 67.13 feet to a point; thence,
- 28) Along the Westerly line of N.J.S.H. Route 17, South 07 degrees and 37 minutes and 51 seconds West, 4.46 feet to a point of curvature; thence,
- 29) Southwesterly, along the Westerly line of the ramp from N.J.S.H. Route 17 (Southbound) to N.J.S.H. Route 4 (Westbound) on a curve to the right having a radius of 290.00 feet, an arc distance of 254.39 feet to a point of tangency; thence,
- 30) Along the same, South 57 degrees and 53 minutes and 26 seconds West, 281.78 feet to a point; thence,
- 31) Along the same, South 70 degrees and 18 minutes and 16 seconds West, 111.35 feet to a point; thence,
- 32) Along the same, North 87 degrees and 45 minutes and 06 seconds West, 81.43 feet to a point; thence,

Along the Northerly line of N.J.S.H. Route 4, North 72 degrees and 06 minutes and 34 seconds West, 1,490.31 feet to the point or place of beginning.

Subject to easements and restrictions of record.

Being Lot 1 in Block 1202 as appearing on the referenced Subdivision Map No. 8695 containing 1,712,916 square feet or 39.3231 acres more or less.

Excepting therefrom lands acquired by the State of New Jersey by the Commissioner of Transportation pursuant to Declaration of Taking for Road Widening, recorded November 25, 1997, in Book 8023, Page 304, as instrument #144855.

Including specifically that part of Lot 7, in Block 1202, pursuant to Deed Book 8042, Page 097, (Exchange Deed, between The State of New Jersey, Department of Transportation and Alexander's Department Stores of New Jersey, Inc.), recorded February 6, 1998, as instrument #018103.

PARCEL II:  
- - - - -

BEING ALL that tract or parcel of land and premises, situated, lying and being in the Borough of



Paramus, County of Bergen State of New Jersey and being more particularly described as follows:

Beginning at the intersection of the Westerly right of way line of the Garden State Parkway and the new Southerly line of Tax Map Lot 7 in Tax Map Block 1802, said point having a New Jersey State Plane Grid Coordinate of North 763,178.759 and East 2,163,678.175, all as laid down on a certain map entitled "Location Survey, Lot 3, Block 1101, Paramus, Bergen County, New Jersey", dated 10-26-93 and bearing 2-8-94 as its latest revision date, prepared by Lapatka Associates, Inc., Paramus, New Jersey. Said point also being measured Southwesterly along the Westerly right of way line of the Garden State Parkway from its intersection with the Southerly R.O.W. Line of Century Road, all as laid down on a certain map entitled "Garden State Parkway, Section 1, Survey of Westerly right of way line, South of Century Road, Paramus, N.J.", dated November 23, 1966, Sheet No. 32 of 33, prepared by Boswell Engineering Company, Ridgefield Park, New Jersey, along the following bearings and distances:

- A) South 10 degrees and 11 minutes and 03 seconds West, along the Westerly right of way line of the Garden State Parkway as described above, for a distance of 136.71 feet to a bend in the same; thence,
- B) South 05 degrees and 33 minutes and 26 seconds West, along the same, for a distance of 185.87 feet to a bend in the same; thence,
- C) South 09 degrees and 55 minutes and 07 seconds West, along the same, for a distance of 185.78 feet to a bend in the same; thence,
- D) South 14 degrees and 54 minutes and 37 seconds West, along the same, for a distance of 174.89 feet to a bend in the same; thence,
- E) South 20 degrees and 48 minutes and 46 seconds West, along the same, for a distance of 182.94 feet to a bend in the same; thence,
- F) South 25 degrees and 46 minutes and 10 seconds West, along the same, for a distance of 161.01 feet to a bend in the same; thence,
- G) South 28 degrees and 52 minutes and 02 seconds West, along the same, for a distance of 82.49 feet to the new Southerly line of Tax Map Lot 7 in Tax Map Block 1802, being the point and place of beginning and running from the beginning point hereindescribed; thence,
  - 1) South 28 degrees and 52 minutes and 02 seconds West, along the Westerly right of way line of the Garden State Parkway as described above, for a distance of 95.64 feet to a bend in the same; thence,
  - 2) South 34 degrees and 53 minutes and 01 seconds West, along the same, for a distance of 173.10 feet to a bend in the same; thence,
  - 3) South 37 degrees and 55 minutes and 47 seconds West, along the same, for a distance of 183.83 feet to a bend in the same; thence,

- 4) South 41 degrees and 07 minutes and 31 seconds West, along the same, for a distance of 177.89 feet to a bend in the same; thence,
- 5) South 43 degrees and 34 minutes and 47 seconds West, along the same, for a distance of 171.17 feet to a bend in the same; thence,
- 6) South 47 degrees and 27 minutes and 33 seconds West, along the same, for a distance of 30.73 feet to its intersection with the Northerly right of way line of Summit Avenue extended, as laid down on a certain map entitled "Map Showing S.E. Wood - Summit Avenue Subdivision, West Hackensack, Midland Township, Bergen County, New Jersey", filed in the Bergen County Clerk's Office on June 16, 1997 as Map No. 773; thence,
- 7) North 52 degrees and 20 minutes and 05 seconds West, along the Northerly right of way line of Summit Avenue extended, for a distance of 20.00 feet more or less to the centerline of Sprout Brook as it previously existed; thence,
- 8) Northerly, along the various courses of the "centerline of Sprout Brook as located in the field" as it formerly existed and laid down on a certain map entitled "New Jersey Highway Authority, Garden State Parkway, Section I, General Property Map", Sheets No. 29 and 30 of 33, prepared by Fay, Spofford & Thorndike, Consulting Engineers, Boston, Massachusetts and Clifton, New Jersey, for a distance of approximately 960 feet to its intersection with the aforementioned new Southerly line of Tax Map Lot 7 in Tax Map Block 1802; thence,
- 9) South 52 degrees and 36 minutes and 40 seconds East, along the new Southerly line of Tax Map Lot 7 in Tax Map Block 1802, for a distance of approximately 370 feet to the point and place of beginning.

TOGETHER with all right, title and interest in and to that certain limited Easement for Right of way as set forth in Deed Book 7796, Page 505, Bergen County, New Jersey.

ALX OF PARAMUS LLC  
c/o Alexander's, Inc.  
210 Route 4 East  
Paramus, New Jersey 07652

As of October 2, 2001

Svenska Handelsbanken AB (PUBL)  
153 East 53rd Street, 37th floor  
New York, New York 10022

Re: Financing of Block 1202, Lot 1 and Block 1101, Lot 3  
in Paramus, New Jersey (the "Property") pursuant to a  
Loan Agreement (the "Loan Agreement") and other loan  
and security documents (the "Loan Documents")  
delivered in connection therewith by ALX of Paramus  
LLC ("Borrower") in favor of Svenska Handelsbanken AB  
(publ) ("Lender") as of October 2, 2001.

Gentlemen:

This will acknowledge that, as a condition of the financing referred to above, Lender requires that it be provided with a satisfactory environmental assessment of the Property. Borrower caused to be provided to Lender, among other things, a certain Limited Phase II Environmental Investigation Report dated October 2, 2001 (the "2001 Supplemental Report") prepared by P. T. & L. Environmental Consultants, Inc. (the "Consultant") under Project No. 012380. The 2001 Supplemental Report contains certain recommendations (the "Recommendations") for remediation of certain areas of concern specified therein, all of which you require Borrower to implement or cause to be implemented.

This will confirm that in consideration for Lender proceeding to close the financing referred to above, Borrower agrees that it shall within one (1) year from the date hereof, implement, or cause to be implemented, (i) all of the Recommendations; (ii) any and all further recommendations for investigation and remediation that are made by the Consultant for areas of concern identified by the Consultant as of the date hereof or at any time hereafter and required pursuant to applicable laws and regulations, including but not limited to New Jersey Department of Environmental Protection ("NJDEP") Technical Regulations, N.J.A.C. 7:26E; and (iii) any and all further investigation and remediation required pursuant to the NJDEP Technical Regulations, N.J.A.C. 7:26E. If, as of one (1) year from the date hereof, Borrower has diligently implemented, or caused to be implemented, the recommendations and further recommendations referenced in the preceding sentence, but such implementation has not then been completed, Borrower shall be deemed in compliance with Borrowers' covenants herein, provided that, and so long as, Borrower diligently and continuously implements, or causes to be implemented, such Recommendations and further recommendations.

Borrower agrees that Borrower's undertaking pursuant to this letter shall be at Borrower's sole cost and expense. Borrower shall from time to time, and promptly after receiving a request from Lender, provide Lender with the status, in reasonable detail, of Borrower's efforts to comply with Borrower's covenant herein. Borrower shall also provide Lender with evidence reasonably satisfactory to Lender of Borrower's compliance with Borrower's covenant herein. The issuance of a No Further Action ("NFA") Letter by the NJDEP is an example of evidence that would be reasonably satisfactory to Lender of Borrower's compliance with Borrower's covenant herein; provided, however, that such NFA Letter shall not contain any condition that materially impairs the value of, or imposes institutional or engineering controls on, the Property without the consent of Lender, which consent shall not be unreasonably withheld.

The agreement by the Borrower contained herein is deemed to be a covenant under the Loan Agreement. Borrower agrees that Borrower's failure to comply with such covenant within thirty (30) days after notice from Lender given in accordance with Section 10.7 of the Loan Agreement, shall constitute an Event of Default under the Loan Agreement.

Nothing in this letter shall affect Borrower's obligations, or impair Lender's rights and remedies, under that certain Environmental Indemnity Agreement and under Paragraph 3.23 of that certain Mortgage, Security Agreement and Fixture Financing Statement, made as of the date hereof by Borrower to Lender.

Further, this will confirm that the abandoned truck mentioned in the Phase I Environmental Assessment dated August 30, 2001 prepared by the Consultant under Project No. 012364 (the "Phase I Report") was removed from the Property on September 13, 2001. During the month of September 2001, all trucks, "Roll-Offs" and other construction materials and debris were removed from the southwest corner of the Property and the gates in the property line fence in that area were secured.

Very truly yours,

ALX OF PARAMUS LLC

By: /s/ Joseph Macnow

-----  
Name: Joseph Macnow

-----  
Title: Executive Vice President

-----  
Finance and Administration  
-----

LEASE

between

ALX OF PARAMUS LLC

Landlord

and

IKEA PROPERTY, INC.

Tenant

Dated as of October 4, 2001

Table of Contents

|   | Page  |
|---|-------|
|   | ----- |
| Section 1. Definitions .....  | 1     |
| Section 2. Demise of Premises .....   | 10    |
| Section 3. No Warranty by Landlord .....  | 11    |
| Section 4. Term .....   | 11    |
| Section 5. Rent .....   | 11    |
| Section 6. Basic Term Loan and Extended Term Loan .....   | 13    |
| Section 7. Net Lease; Non-Terminability; Tenant's Liability .....                               | 14    |
| Section 8. Use .....  | 15    |
| Section 9. Surrender .....  | 15    |
| Section 10. Construction .....  | 16    |
| Section 11. Governmental Actions, Easements, Etc .....  | 17    |
| Section 12. Alterations .....   | 18    |
| Section 13. Maintenance and Repairs .....   | 19    |
| Section 14. Claims Against Landlord .....   | 20    |
| Section 15. Inspection .....  | 20    |
| Section 16. Liens and Encroachments .....   | 20    |
| Section 17. Impositions; Utility Services .....   | 20    |
| Section 18. Indemnification .....   | 21    |
| Section 19. Compliance with Legal and Insurance Requirements and<br>Instruments of Record ..... | 22    |
| Section 20. Taking .....  | 22    |
| Section 21. Insurance .....   | 24    |
| Section 22. Damage or Destruction .....   | 27    |
| Section 23. Assignment by Tenant .....  | 28    |
| Section 24. Rights of Leasehold Mortgagees .....  | 29    |
| Section 25. Subletting .....  | 33    |
| Section 26. Advances by Landlord .....  | 35    |
| Section 27. Permitted Contests .....  | 36    |
| Section 28. Conditional Limitations; Default Provisions .....                                   | 37    |
| Section 29. Remedies of Landlord; Waivers .....   | 38    |
| Section 30. Quiet Enjoyment; Subordination to Qualified Fee Mortgage ...                        | 40    |
| Section 31. Certificates .....  | 40    |
| Section 32. Consents, Approvals, Etc .....  | 41    |
| Section 33. Notices, Demands, Etc .....   | 41    |
| Section 34. Limitation on Landlord's Liability .....  | 42    |
| Section 35. No Merger of Title .....  | 43    |
| Section 36. Relationship of Parties .....   | 43    |
| Section 37. Separability .....  | 43    |
| Section 38. Brokers .....   | 43    |
| Section 39. Entire Agreement .....  | 43    |
| Section 40. Amendments .....  | 43    |
| Section 41. Recording of Lease .....  | 43    |
| Section 42. Rules of Usage .....  | 44    |

Table of Contents  
(continued)

|   | Page |
|---|------|
|   | ---- |
| Section 43. Governing Law .....         | 45   |
| Section 44. Counterpart Execution ..... | 45   |
| Section 45. Environmental Matters ..... | 45   |
| Section 46. Purchase Option .....       | 47   |
| Section 47. SPE Covenants .....         | 48   |
| Section 48. Confidentiality .....       | 49   |

Schedule A - Description of Land

Exhibit A - Form of Deed

LEASE dated as of October 4, 2001 between ALX OF PARAMUS LLC, a Delaware limited liability company ("Landlord"), and IKEA PROPERTY, INC., a Delaware corporation ("Tenant").

SECTION 1. DEFINITIONS.

Except as otherwise specified or as the context may otherwise require, the following terms have the meanings set forth below for all purposes of this Lease and the definitions of such terms are equally applicable both to the singular and the plural forms thereof:

ADDITIONAL INSUREDS is defined in Section 21(d).

AFFILIATE, with respect to any person, means any other person directly or indirectly controlling or controlled by, or under direct or indirect common control with, such person. For purposes of this definition, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such person, whether through the ownership of voting securities or by contract or otherwise.

APPLICABLE LAWS means all applicable laws, statutes, treaties, codes, acts, ordinances, orders, interpretations, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of and agreements with all courts and Governmental Authorities, foreseen or unforeseen, ordinary or extraordinary.

BASIC TERM is defined in Section 4(a).

BASIC TERM LOAN means the loan outstanding from time to time during the Basic Term from an Institutional Lender to Landlord and secured by the Qualified Fee Mortgage, provided (i) the principal amount of the loan is \$68,000,000, unless otherwise agreed in writing by Landlord, Tenant and such Institutional Lender or reduced by the application of condemnation awards or proceeds pursuant to this Lease, (ii) the loan shall be non-recourse to Landlord and shall be secured solely by Landlord's interest in the Premises and Landlord's interest as Landlord under this Lease, (iii) no parent, affiliate or subsidiary of Landlord, or any officer, director or employee of any of the foregoing shall be required to obligate itself or himself on the note evidencing the loan or execute any indemnity or guaranty with respect to the loan and Landlord shall not be required to execute any indemnity or guaranty with respect to the loan, (iv) the conditions to closing contained in the commitment therefor and the other terms contained therein shall be consistent with industry standards for similar loans then being made by Institutional Lenders, (v) the term thereof shall be at least seven years, (vi) such loan shall require the payment of interest only and (vii) such loan shall be prepayable during the Basic Term only if Tenant makes the payments required pursuant to Section 6(b).

BASIC TERM LOAN DOCUMENTS means all documents evidencing or securing, or delivered in connection with, the Basic Term Loan.

CONTAMINANT means any pollutant or substance that is or may be harmful to human health, natural resources or the environment and any hazardous substance, radioactive substance,



hazardous material, toxic substance, hazardous waste, medical or infectious waste, radioactive waste, special waste, industrial waste, petroleum or petroleum-derived substance or waste, asbestos, PCBs, pesticide, explosive, paint or coating containing lead or mercury, urea formaldehyde, radon, or any hazardous, toxic, radioactive, or infectious constituent thereof defined as such or, regulated under Environmental Laws as harmful to human health, natural resources or the environment.

CPI means the Consumer Price Index for All Urban Consumers, CPI-U, N.Y.-Northern N.J. - Long Island, NY-NJ, All Items (1982-84--100), published by the Bureau of Labor Statistics of the U.S. Department of Labor, or any successor index thereto.

CURRENT DOLLARS means that the dollar amount to which it refers shall be increased (but not decreased) at two-year intervals commencing with 2003 as necessary to adjust such amount for inflation by multiplying such amount by a fraction, the numerator of which is the CPI for the month immediately preceding the month in which each such adjustment shall be made, and the denominator of which is the CPI for the month in which the date of this Lease occurs. If the CPI is converted to a different standard reference base or otherwise revised, the determination of adjustments provided for herein shall be made with the use of such conversion factor, formula or table for converting the CPI as may be published by the Bureau of Labor Statistics or, if such Bureau shall not publish the same, then with the use of such conversion factor, formula or table as may be published by Prentice-Hall, Inc., or any other nationally recognized publisher of similar statistical information. If the CPI ceases to be published, and there is no successor thereto, such other index as Landlord shall reasonably select shall be substituted for the CPI.

DEPOSITARY means:

(i) the Qualified Fee Mortgagee, or Escrow Agent, if the Qualified Fee Mortgagee is an Institutional Lender, or

(ii) the First Leasehold Mortgagee, or Escrow Agent, if clause (i) is not applicable and the First Leasehold Mortgagee is an Institutional Lender, or

(iii) if clauses (i) and (ii) are not applicable, Tenant or an Affiliate of Tenant if it is an Institutional Lender, or

(iv) if clauses (i), (ii) and (iii) are not applicable, a bank or trust company selected by Landlord having a combined capital and surplus (as shown by its most recent financial statement distributed to its shareholders) of at least \$50,000,000 in Current Dollars and its head office not more than 50 miles from the city in which the Premises are located.

ELIGIBLE INVESTMENTS means direct obligations of the United States of America and obligations of any agency of the United States of America backed by the full faith and credit of the United States of America.

ENVIRONMENTAL LAWS means any and all past, present, and future applicable federal, state, local and foreign laws (including duties under the common law), statutes, codes, ordinances, rules, regulations, directives, binding policies, permits, authorizations or orders relating to or

addressing the environment, natural resources or human health, including, but not limited to, any law, statute, code, ordinance, rule, regulation, directive, binding policy, permit, authorization or order relating to (a) the use, handling, disposal, presence, suspected presence, Release, or threatened Release of any Contaminant or (b) worker or public health.

ESCROW AGENT means any escrow, collateral or lockbox agent designated by a Qualified Fee Mortgagee to receive rent payments.

EVENT OF DEFAULT is defined in Section 28(a).

EVENT OF INSOLVENCY means either:

(i) commencement by Tenant or Guarantor of a voluntary case or other proceeding seeking liquidation, reorganization, moratorium, dissolution, winding-up or composition or readjustment of a substantial portion of its debts or other relief with respect to it or a substantial portion of its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or the consent by Tenant or Guarantor to any such relief or to the appointment of or taking of possession of any substantial part of its property by any such official in an involuntary case or other proceeding commenced against it, or the making by Tenant or Guarantor of a general assignment for the benefit of creditors, or the taking by Tenant or Guarantor of any corporate action to authorize or consent to any of the foregoing or indicating its consent to or approval of or acquiescence in any of the foregoing;

(ii) the commencement of an involuntary case or other proceeding against Tenant or Guarantor seeking liquidation, reorganization, moratorium, dissolution, winding-up or composition or readjustment of its debts or other relief with respect to it or a substantial portion of its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, which involuntary case or other proceeding shall remain undismissed or unstayed for a period of 90 consecutive days;

(iii) Tenant's or Guarantor's admission in writing of its inability to pay its debts generally as they become due or declaration or effecting of a general moratorium on payment of its debts; or

(iv) repudiation or anticipatory breach of this Lease by Tenant or repudiation of the Guaranty by Guarantor.

EXTENDED TERM is defined in Section 4(b).

EXTENDED TERM LOAN means the loan which (i) Tenant is required to obtain on behalf of Landlord pursuant to Section 6(c), (ii) is outstanding during the Extended Term, (iii) is made by an Institutional Lender to Landlord and (iv) is secured by the Qualified Fee Mortgage, provided (A) the initial principal amount of the loan is \$68,000,000, or such other amount as may then be required to refinance the Basic Term Loan, (B) the loan shall be non-recourse to Landlord and shall be secured solely by Landlord's interest in the Premises and Landlord's interest as Landlord

under this Lease, (C) no parent, affiliate or subsidiary of Landlord, or any officer, director or employee of any of the foregoing shall be required to obligate itself or himself on the note evidencing the loan or execute any indemnity or guaranty with respect to the loan and Landlord shall not be required to execute any indemnity or guaranty with respect to the loan, (D) the conditions to closing contained in the commitment therefor and the other terms contained therein shall be consistent with industry standards for similar loans then being made by Institutional Lenders, (E) the term thereof shall be at least 10 years and (F) such loan shall be fully self-amortizing by the end of the Extended Term and shall provide for constant debt service.

EXTENDED TERM LOAN DOCUMENTS means all documents evidencing or securing, or delivered in connection with, the Extended Term Loan.

FIRST LEASEHOLD MORTGAGE means at any time the Leasehold Mortgage on the entire Premises which is then prior of record to all other Leasehold Mortgages on the Premises.

FIRST LEASEHOLD MORTGAGEE means at any time the mortgagee or beneficiary under the First Leasehold Mortgage.

FIXED RENT means the fixed rent payable by Tenant for the Premises for the Premises pursuant to Section 5(a).

GOVERNMENTAL ACTION means any of the following affecting the Premises from time to time: permits, inspections, certificates of occupancy, authorizations, registrations, consents, approvals, waivers, exceptions, variances, orders, judgments, decrees, licenses, exemptions, publications, filings, notices to and declarations of or with, or required by, any Governmental Authority, or required by any Applicable Law.

GOVERNMENTAL AUTHORITY means any federal, state, local or other governmental or regulatory authority, agency, board, body, commission, instrumentality, court or quasi-governmental authority.

IMPOSITIONS means all taxes, assessments, levies and other governmental charges (including any environmental or transit impact development fee and taxes, assessments, levies and charges for public improvements, benefits or services, no matter when commenced or completed), general, special, ordinary, extraordinary and otherwise, whether or not now customary or within the contemplation of the parties, together with all interest and penalties thereon, which, pursuant to Applicable Laws in effect from time to time, are levied or imposed upon or assessed against:

- (i) the Premises,
- (ii) the Rent,
- (iii) this Lease or the leasehold estate hereby created,
- (iv) the gross receipts from the Premises or the earnings arising from the use thereof,

(v) Landlord by reason of any actual or asserted engagement by Landlord, directly or indirectly, in any business, occupation or other activity in connection with the Premises, provided that such engagement is in compliance with the terms of this Lease and for the ends contemplated by this Lease,

(vi) the ownership, possession, leasing, operation, management, maintenance, alteration, repair, rebuilding, use or occupancy of the Premises, or

(vii) the Qualified Fee Mortgage, to the extent payable by Landlord under the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable.

other than (A) franchise or capital stock taxes of Landlord or its Affiliates, or (B) income, estate, inheritance, succession, transfer, stamp or gift taxes of Landlord or its Affiliates. If by reason of a change in the method of taxation, any tax referred to in clause (A) or (B) is levied in substitution for or in lieu of the whole or any part of, or in lieu of any increase in the amount of, any tax which would otherwise constitute an Imposition, such tax shall be included in the term "Impositions" as if the Land were the only asset of Landlord and as if the fixed rent reserved under this Lease were the only income of Landlord. Tenant shall not, however, be responsible for payment of any taxes payable as, or in lieu of, transfer taxes upon the conveyance of title to the Premises upon the exercise of the Purchase Option.

IMPROVEMENTS means all buildings and other improvements now or hereafter located on the Land and all fixtures and personal property attached or appurtenant to or used in connection with such buildings and improvements, including all lines, pipes, mains, cables, manholes, wires, conduits, equipment and other facilities required in connection with or relating to the mechanical, utility, electrical, storm sewer, telephone, sanitary sewer, telephone, fire alarm, fire protection, gas and other systems needed for the physical operation of such buildings and improvements, all necessary roadways, ramps and pedestrian circulation areas on the Land and all landscaping on the Land, provided, however, that the foregoing definition of Improvements specifically excludes fixtures and personal property owned by: (i) independent contractors engaged by Tenant; (ii) any person claiming under Tenant in connection with the maintenance and operation of such buildings and improvements; (iii) owned by any subtenant of Tenant or any person claiming under any subtenant; or (iv) Tenant to the extent they may constitute trade fixtures, inventory, supplies, goods, equipment for the retail business or service activities conducted from the Premises, or racking and storage or warehousing systems.

INSTITUTIONAL LENDER means any person which, at the time of determination, has a net worth of not less than \$50,000,000 in Current Dollars and is a national bank organized under the laws of the United States, a commercial or savings bank, a savings and loan association, a trust company, a European bank or trust company of comparable stature (or their United States or offshore branches and affiliates), a bank comparable in credit rating to that of Svenska Handelsbanken AB (publ) as of the date hereof, a real estate investment trust or an insurance company organized, licensed or regulated under the laws of the United States or any state of the United States, or a pension or retirement trust or fund supervised by a Governmental Authority of any state of the United States.

INSURANCE REQUIREMENTS means all terms of any insurance policy covering or applicable to the Premises and all applicable and related requirements of the issuer of any such policy, and all orders, rules, regulations and any other requirements of the National Fire Protection Association (or any successor body exercising similar functions) applicable in connection therewith to or affecting the Premises or any use or condition of the Premises.

INVOLUNTARY RATE means at any time the lesser of (i) four points over Prime Rate or (ii) the highest rate not prohibited by Applicable Laws then in effect.

LAND means the land described in Schedule A hereto and all rights, privileges and appurtenances belonging or pertaining thereto.

LANDLORD means ALX of Paramus LLC, a Delaware limited liability company, or, after the transfer of its interest in the Premises permitted by the Qualified Fee Mortgagee, the owner from time to time of such interest.

LEASEHOLD MORTGAGE is defined in Section 24(a).

Leasehold Mortgagee is defined in Section 24(a).

LIEN means any of the following upon and running with the Premises, the income therefrom or any other interest therein from time to time: any mortgage, deed of trust, pledge, security interest, encumbrance, lien, easement, restriction, servitude or charge of any kind, including any conditional sale or other title retention agreement, any lease in the nature thereof or the filing of, or binding agreement to execute as "debtor", any financing statement under the Uniform Commercial Code of any jurisdiction.

LOAN shall mean the Basic Term Loan or the Extended Term Loan, as applicable.

LOAN RETIREMENT AMOUNT shall mean the amount required at any time to pay all amounts then or thereafter due and owing under the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable, including all unpaid principal, interest, late charges, fees, costs and expenses then or thereafter due and owing thereunder.

MANAGER shall mean Vornado Management Corp. or any substitute manager of the Premises.

Mortgage includes (i) a mortgage and security agreement, (ii) deed of trust and (iii) an indenture of mortgage and deed of trust which creates a Lien in favor of one or more mortgagees or trustees for the benefit of one or more lenders, and mortgagee includes (A) the mortgage holder; (B) the beneficiary under such a deed of trust and (C) the trustee(s) under any such indenture.

NET TENANT'S AWARD is defined in Section 20(b).

NEW IMPROVEMENTS is defined in Section 10(a).

NEW LEASE means a lease of the Premises between Landlord and the First Leasehold Mortgagee or its designee entered into in accordance with Section 24(f), for a term beginning on the date of the termination of this Lease and continuing for the remainder of the term provided for in this Lease, and otherwise containing the same terms and conditions as those set forth in this Lease, provided that (i) unless otherwise provided herein or as may be agreed in writing by Landlord and First Leasehold Mortgagee, such lease shall require the tenant thereunder promptly to commence, and expeditiously to continue, to remedy all defaults on the part of Tenant hereunder which existed on the date of such termination (other than an Event of Insolvency), (ii) Landlord shall have no obligation to deliver physical possession of the Premises to the First Leasehold Mortgagee or its designee except to the extent that Landlord has physical possession of the Premises at the time of execution and delivery of such lease, (iii) such lease shall assign to the tenant thereunder, without recourse and without representation or warranty, all rights of Landlord in subleases which became leases upon termination of this Lease and in leases entered into by Landlord after termination of this Lease and all security deposits and similar amounts held by Landlord pursuant to such leases and (iv) such lease shall require Landlord to pay to the Depositary all Taking awards or insurance proceeds received by Landlord to the extent such awards or proceeds would have been required to be paid to the Depositary under this Lease.

NO COST TO LANDLORD shall mean that Landlord shall not be responsible for, and that Tenant (or if applicable, the subtenant) shall be obligated to reimburse for out-of-pocket costs actually expended, if any, in connection with the applicable action, review or response to be undertaken under any "No Cost" provision of this Lease; provided, however, that (i) "internal" costs such as time and overhead shall not constitute "Costs" for this purpose and shall not be subject to any reimbursement obligation, (ii) there shall be no obligation to reimburse for professional fees incurred in reviewing requests for approvals or consents of Landlord by or on behalf of Tenant or subtenants and (iii) there shall be no obligation to reimburse non-material costs incurred (which for this purpose shall be defined as costs or fees of \$5,000 or less incurred in connection with any review or approval requested or action to be taken).

PARENT is defined in Section 47(a).

PERMITTED LIENS means:

(i) the rights of a Qualified Subtenant under a Qualified Sublease;

(ii) Liens for Impositions that either are not yet due and payable or are being contested in accordance with Section 27;

(iii) materialmen's, mechanics', workmen's, repairmen's, carriers', warehousemen's and other like Liens arising out of the construction of Improvements or alterations thereto or arising in the ordinary course of business if (A) such Liens secure sums which under the terms of the related contracts are not at the time due, or (B) such Liens are being contested in accordance with Section 27;

(iv) Liens of any of the types referred to in clause (iii) that have been bonded for the full amount thereof or discharged of record (or as to which other security arrangements satisfactory to Landlord have been made);

(v) matters of title existing as Permitted Liens on the date of this Lease or permitted under the terms of this Lease;

(vi) the respective rights and interests of the parties hereto arising under the terms of this Lease; and

(vii) all Leasehold Mortgages permitted pursuant to the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable, and the Qualified Fee Mortgage.

PERSON includes an individual, corporation, partnership, joint venture, estate, trust, unincorporated association, Governmental Authority or any other entity.

PREMISES means the Land and the Improvements.

PRIME RATE means the fluctuating annual interest rate announced publicly from time to time by Citibank, N.A. in New York, New York as Citibank, N.A.'s base rate.

PROJECT ARCHITECT means either (i) the registered or licensed in-house architects of Ikea, Inc. and/or Ikea Property, Inc. or (ii) other firm of registered architects or licensed professional engineers selected by Tenant and satisfactory to Landlord.

PROJECT COST means, as to any Improvement, all direct and indirect cost of construction and initial leasing thereof, including site improvements, building shell construction, parking, tenant finish, architectural and engineering, Governmental Actions, inspection fees, Impositions, insurance, legal, title, overhead and supervision, developer fee, contingency and operating deficit, financing costs (including interest, commitment fees and lender out-of-pocket costs), and leasing commissions.

PURCHASE OPTION is defined in Section 46.

PURCHASE OPTION PRICE is defined in Section 46.

QUALIFIED FEE MORTGAGE means the mortgage(s) or deed of trust(s) constituting a lien on the Premises as security for the Basic Term Loan or the Extended Term Loan.

QUALIFIED FEE MORTGAGEE means the holder of the Qualified Fee Mortgage. On the date hereof, Svenska Handelsbanken AB (publ) is the only Qualified Fee Mortgagee.

QUALIFIED SUBLEASEHOLD MORTGAGE means a pledge, mortgage, or security agreement pursuant to which (i) a Qualified Subtenant shall have pledged, or mortgaged or granted a security interest in its Qualified Sublease and (ii) the holder of such pledge, mortgage or security agreement shall have entered into an agreement with Tenant, the Qualified Fee Mortgagee and each Leasehold Mortgagee (if such Leasehold Mortgagee then holds a mortgage encumbering the portion of the Premises to which such Qualified Sublease applies) pursuant to which each of Tenant, the Qualified Fee Mortgagee and the Leasehold Mortgagee(s) shall have agreed to recognize such pledge, mortgage or security agreement.

QUALIFIED SUBTENANT AND/OR QUALIFIED SUBLEASE means any subtenant of Tenant and its applicable sublease provided that with respect to such sublease:

(i) it complies with Section 25;

(ii) if any Leasehold Mortgage then encumbers the portion of the Premises to be occupied by such subtenant under such sublease, the holder of each such Leasehold Mortgage is an Institutional Lender and shall have entered into a written non-disturbance agreement with the subtenant under such sublease, providing in substance that such Leasehold Mortgagee shall not join such subtenant as a party defendant in any foreclosure action or proceeding instituted by such Leasehold Mortgagee and shall not evict such subtenant (except in the case of default under such sublease) in the event of foreclosure or the exercise of a power of sale by such Leasehold Mortgagee, which agreement shall then be in effect and an executed copy of which shall have been delivered to Landlord;

(iii) such sublease is on market terms as of the date of its execution;

(iv) the subtenant has, as of the execution of the sublease, a net worth of at least \$50,000,000 in Current Dollars or subtenant's guarantor is creditworthy in relation to the sublease obligation;

(v) such sublease is for at least 50,000 square feet;

(vi) if any Qualified Fee Mortgage then encumbers the portion of the Premises to be occupied by such subtenant under such sublease, the holder of each such Qualified Fee Mortgage is an Institutional Lender and shall have entered into a written agreement providing in substance that such Qualified Fee Mortgagee shall not join such subtenant as a party defendant in any foreclosure action or proceeding instituted by such Qualified Fee Mortgagee and shall not evict such subtenant (except in the case of default under such sublease) in the event of foreclosure or the exercise of a power of sale by such Qualified Fee Mortgagee, which agreement shall then be in effect and an executed copy of which shall have been delivered to Landlord; and

(vii) if such subtenant shall have pledged, mortgaged or granted a security interest in such sublease, such pledge, mortgage or security agreement shall be a Qualified Subleasehold Mortgage.

RELEASE means the release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migrating into the indoor or outdoor environment of any Contaminant through or in the air, soil, surface water, groundwater, or any structure.

RENT means the Fixed Rent and all other sums payable by Tenant hereunder.

RESTORATION means, in case of damage or destruction resulting from any cause, the restoration, replacement or rebuilding of the Improvements as nearly as possible to their fair market value and condition immediately prior to such damage or destruction (assuming that immediately prior to such damage or destruction, the Improvements were in the condition



required by this Lease) and with such alterations as may be made at Tenant's election pursuant to and subject to the conditions of Section 12.

STRUCTURAL ALTERATION means (i) any alteration to the Improvements which materially affects the structure of the Improvements or the heating, ventilation, air conditioning, plumbing, electrical or other mechanical systems of the Improvements or affects in any way the outer skin of the Improvements, and (iii) construction of new Improvements, including any addition to the Improvements. The term Structural Alteration does not include restoration of Improvements following damage or destruction resulting from casualty or Taking, in accordance with the original plans therefor approved (to the extent required by Section 10 or Section 12) by Landlord.

TAKING means any condemnation, requisition or other taking or sale of the use or occupancy of or title to the Premises in, by or on account of any actual or threatened eminent domain proceedings or other action having such effect by any Governmental Authority or other person under the power of eminent domain. A Taking of the Premises shall be deemed to have occurred on the earliest to occur of the dates that use, occupancy or title is taken.

TENANT means IKEA Property, Inc., a Delaware corporation, or, after the transfer of its interest in the Premises, the owner from time to time of such interest.

TENANT'S NOTICE is defined in Section 24(a).

TERM shall mean the Basic Term, and, if applicable, the Extended Term.

TOTAL TAKING is defined in Section 20(b).

UNAVOIDABLE DELAYS means any act of God, fire, flood, earthquake, explosion, riot, sabotage, failure of utility services, labor dispute, governmental act or failure to act or other event (i) which in fact prevents Tenant from or delays Tenant in curing a default under Section 28(a)(iii) or in taking any other action which, under the terms of this Lease, may be postponed for Unavoidable Delays, (ii) which is beyond the control of Tenant despite all reasonable efforts of Tenant to prevent, avoid, delay or mitigate such event or occurrence, (iii) which is not caused by lack of funds or the negligence or intentional act of Tenant or any of its agents or contractors, (iv) which Tenant, promptly after obtaining knowledge thereof, is using all reasonable efforts to cure and (v) as to which Tenant shall have notified Landlord no later than 10 days after Tenant first obtained knowledge of the occurrence thereof.

VALUE OF THE LAND means at any time the fair market value of the Land considered as vacant, unimproved and unencumbered by this Lease or any other lease and available for its highest and best use under Applicable Laws then in effect, which may be the then existing Improvements whether or not they could then be constructed under such Applicable Laws.

## SECTION 2. DEMISE OF PREMISES.

Landlord hereby demises and lets to Tenant and Tenant hereby takes and hires from Landlord, upon the terms and conditions of this Lease, the Premises including all appurtenances and rights relating thereto, together with all right, title and interest of Landlord in and to the land

lying in the streets and ways adjoining the Land and the right of surface support of the Land and Improvements.

SECTION 3. NO WARRANTY BY LANDLORD.

Tenant has inspected the Premises and is fully familiar with the condition and state of repair thereof, including the presence or absence of Contaminant, and accepts the Premises "as is" and in their present condition. Tenant has made such examination of title to the Premises and of the operation, income and expenses of the Premises and all other matters affecting or relating to the Premises as Tenant deemed necessary. UNLESS EXPRESSLY STATED ELSEWHERE IN THIS LEASE, LANDLORD MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO THE PREMISES OR ANY FIXTURE OR ITEM OF PERSONAL PROPERTY CONSTITUTING A PART THEREOF OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION, OR DURABILITY THEREOF, OR AS TO THE TITLE THERETO OR OWNERSHIP THEREOF OR OTHERWISE, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY TENANT. IN CASE OF ANY DEFECT OR DEFICIENCY IN THE PREMISES, OR ANY SUCH FIXTURE OR ITEM OF PERSONAL PROPERTY, WHETHER PATENT OR LATENT, LANDLORD SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS Section 3 HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION BY LANDLORD OF, AND LANDLORD HEREBY DISCLAIMS, ALL WARRANTIES BY LANDLORD, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR OF HABITABILITY WITH RESPECT TO THE PREMISES, OR ANY SUCH FIXTURE OR ITEM OF PERSONAL PROPERTY, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR OTHER APPLICABLE LAW.

SECTION 4. TERM.

(a) The basic term of this Lease (the "Basic Term") shall commence on October 4, 2001 and shall end on October 3, 2021.

(b) Unless this Lease shall have sooner terminated by reason of Tenant's exercise of its right to purchase the Premises pursuant to Section 46 or otherwise, the Term shall continue automatically, and without need for notice or exercise by Tenant, for one extended term of 20 years ending October 3, 2041 (the "Extended Term"). The Extended Term shall commence on the day next succeeding the expiration date of the Basic Term.

(c) The Basic Term and the Extended Term shall, subject to the provisions of this Lease, including the Purchase Option, constitute the Term.

SECTION 5. RENT.

(a) Tenant shall pay Landlord as annual Fixed Rent for the Premises the sum of (i) \$700,000 plus (ii) all interest on the Basic Term Loan during the Basic Term. Subject to the Purchase Option, Tenant shall pay Landlord as annual Fixed Rent during the Extended Term an

amount equal to all debt service (including interest and required amortization) on the Extended Term Loan. Fixed Rent shall be payable in equal monthly installments in advance on the day specified for the payment of interest by the Qualified Fee Mortgagee. For so long as Svenska Handelsbanken AB (publ) is the Qualified Fee Mortgagee, all payments of Fixed Rent shall be made on the fifth day of the month (or, if the fifth day of the month is not a day on which banks are open for business in New York City, New York, the next day on which banks are open for business in New York City, New York).

(b) Fixed Rent shall be paid to Landlord in lawful money of the United States of America, by wire transfer of immediately available funds to Landlord, or to such other person or at such other place or by such other means (including to Escrow Agent) as Landlord from time to time may designate by notice to Tenant. Landlord and Tenant agree that either simultaneously with the execution of this Lease, or thereafter, they will enter into a payment arrangement with Escrow Agent, if and as requested by a Qualified Fee Mortgagee (and in connection with the refinancing of the Basic Term Loan or the Extended Term Loan as provided in this Lease), which arrangement: (i) may only be revoked or modified at the request of such Qualified Fee Mortgagee; (ii) shall be on standard commercial terms and in form and content reasonable satisfactory to such Qualified Fee Mortgagee; and (iii) shall provide that such Fixed Rent and all other sums payable by Tenant under this Lease, whether or not characterized hereunder as Rent, shall be applied first to current obligations under the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable (including, if then applicable, repayment of outstanding principal and interest at maturity), with the balance thereof to be distributed as directed by Landlord under such terms. Landlord hereby irrevocably directs Tenant that for so long as Svenska Handelsbanken AB (publ) is the Qualified Fee Mortgagee, all payments of Fixed Rent shall be made directly to Escrow Agent.

(c) All other amounts, liabilities and obligations which Tenant assumes or agrees to pay or discharge pursuant to this Lease, together with any fine, penalty, interest or cost which may be added for late payment, shall constitute additional rent, and in case of failure of Tenant to pay or discharge them, Landlord shall have the rights and remedies provided in this Lease or by law in the case of nonpayment of minimum rent.

(d) As compensation for the administrative costs incurred by Landlord by reason of Tenant's failure to make prompt payment, Tenant shall pay on demand to Landlord, as additional rent, interest at the Involuntary Rate on overdue payments of Fixed Rent, from the date due until paid, and on overdue amounts of additional rent which Landlord shall have paid on behalf of Tenant, from the date of payment by Landlord until paid by Tenant.

(e) Tenant shall pay to Landlord, as additional rent within 10 days of demand, Landlord's out-of-pocket costs for any lender's counsel fees, commitment fees, closing fees, inspection or appraisal fees, escrow or similar fees imposed by the Qualified Fee Mortgagee and payable by Landlord under the Basic Term Loan Documents or Extended Term Loan Documents, as applicable, as a condition for the making, renewal or maintenance for the Basic Term Loan(s) and the Extended Term Loan(s), including without limitation all fees and expenses imposed by the Qualified Fee Mortgagee and payable by Landlord in connection with obtaining consents, approvals, waivers and non-disturbance and recognition of subtenants and subtenants' mortgagees.

(f) Tenant shall pay to Landlord, or to such other person or at such other place or by such other means (including Escrow Agent) as Landlord from time to time may designate by notice to Tenant, on demand, all late fees, interest in excess of the rate stipulated in the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable, and all escrow fees, breakage fees, funding losses, "make whole" fees, tax "gross ups", taxes imposed on the Basic Term Loan or the Extended Term Loan and payable by Landlord under the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable, and all other sums, charges, costs and fees due to the Qualified Fee Mortgagee pursuant to the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable, unless the same have been incurred solely due to the act or omission of Landlord or Landlord's Affiliates.

(g) Landlord and Tenant shall cooperate in making any rate elections permitted or required by the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable, and Tenant shall evidence its consent to or agreement with any rate election in the manner required pursuant to the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable, provided that if Landlord and Tenant cannot agree with respect to a rate election, Tenant's determination with respect to such election shall be binding on both Tenant and Landlord.

SECTION 6. BASIC TERM LOAN AND EXTENDED TERM LOAN. (a) If (i) the initial Basic Term Loan shall have a maturity date before the end of the Basic Term and (ii) this Lease remains in effect and shall not have been terminated earlier in accordance with its provisions, then Tenant shall use its best efforts to refinance of the Basic Term Loan by obtaining, on behalf of Landlord, a substitute Basic Term Loan for a term not less than (A) seven years (if it is the first substitute Basic Term Loan) or (B) the remainder of the Basic Term of this Lease (if it is the second substitute Basic Term Loan). Landlord shall, at No Cost to Landlord, cooperate with Tenant in refinancing the Basic Term Loan through the obtaining of such substitute Basic Term Loan(s). Landlord shall not, during the Basic Term, enter into any loan secured by the Premises, or otherwise encumber or permit any encumbrance of the Premises other than (1) a Qualified Fee Mortgage, (2) the Basic Term Loan Documents or the Extended Term Loan Documents and (3) those encumbrances contemplated by Section 11, and any other such loan or encumbrance by or permitted by Landlord shall be deemed a breach of the covenant of quiet enjoyment and Tenant's Purchase Option.

(b) If, despite use of its best efforts and Landlord's compliance with its obligations under Section 6(a) with respect thereto, Tenant fails to cause the refinancing the Basic Term Loan pursuant to Section 6(a) by obtaining, on behalf of Landlord, a substitute Basic Term Loan, then, upon the maturity of the then-applicable Basic Term Loan, (i) notwithstanding the dates for exercise set forth in Section 46, Tenant shall be deemed automatically to have exercised and shall exercise the Purchase Option, (ii) Landlord shall transfer the Premises to Tenant in the manner required pursuant to Section 46 and (iii) Tenant shall pay (A) the amounts required by Section 46 in the manner required by Section 46 and (B) to Landlord the additional cost (determined on a present value basis using a discount rate equal to the Prime Rate) of all federal, state and local income taxes (on a grossed-up basis) incurred by Landlord and Landlord's Affiliates, and the direct and indirect shareholders and partners of Landlord and such Affiliates, because the Premises was transferred before the earliest date Tenant could have closed on the Purchase Option pursuant to Section 46. The

amounts described in clause (B) of this Section 6(b)(iii) shall be computed assuming that the income realized is taxable at the highest marginal rates for the tax domiciles of such taxpayers, and assuming no losses, credits or other tax attributes are available to offset such income.

(c) If Tenant does not exercise its right to purchase the Premises and this Lease extends into Extended Term, then Tenant shall, on behalf of the Landlord, on or before the first day of the Extended Term, obtain an Extended Term Loan.

(d) If (i) Tenant, through its action or omission, causes an acceleration of the Basic Term Loan which is not cured within the applicable cure periods, if any (including by obtaining a substitute Basic Term Loan pursuant to the terms of this Lease) or (ii) there is an acceleration of the Basic Term Loan because of a casualty or condemnation, then Tenant shall be deemed to have exercised the Purchase Option and Tenant shall, as soon as possible thereafter, close on the Purchase Option in accordance with Section 46 and make the payments required by Section 6(b).

(e) If there is an acceleration or prepayment of the Basic Term Loan or Extended Term Loan for any reason other than Landlord's independent election to prepay or Landlord's act or omission, then Tenant shall pay to the lender any breakage fees, prepayment premiums or like charges incurred because of such acceleration or prepayment.

#### SECTION 7. NET LEASE; NON-TERMINABILITY; TENANT'S LIABILITY.

(a) This Lease is an absolutely net lease and the Rent shall be paid by Tenant, except as otherwise expressly provided in this Lease, without notice or demand, and without set-off, counterclaim, abatement, deduction or defense. The parties intend that by the execution of this Lease, Tenant shall assume with respect to the Premises every obligation relating thereto which the ownership thereof entails and which, but for this Lease, would be borne by Landlord.

(b) Except as otherwise expressly provided in this Lease, this Lease shall not terminate, nor shall Tenant have any right to terminate this Lease, nor shall Tenant be entitled to the abatement of any Rent hereunder or any reduction thereof, nor shall the obligations of Tenant under this Lease be affected, by reason of damage to the Premises from any cause, or a Taking, or the prohibition, cessation, interruption, limitation or restriction of Tenant's use of the Premises, or the interference with such use by any person, or a default on the part of Landlord or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties that, except as otherwise expressly provided in this Lease, the obligations of Tenant shall be separate and independent covenants and agreements, that the Rent shall be payable in all events, and that the obligations of Tenant shall continue unaffected, unless the requirement to pay or perform the same shall have been terminated or modified pursuant to an express provision of this Lease or pursuant to separate written agreement executed by Tenant and Landlord, and consented to by the Qualified Fee Mortgagee and, if applicable, the First Leasehold Mortgagee(s). Tenant waives all rights which may now or hereafter be conferred by Applicable Law to quit, terminate or surrender this Lease or the Premises, or to any abatement, deferment or reduction of Rent, except as expressly provided in this Lease. Each payment of Rent made by Tenant hereunder shall be final, and Tenant shall not seek or have any right to recover all or any part of such payment from Landlord or any other person.

(c) All obligations of Tenant shall be performed at its cost unless otherwise expressly stated.

#### SECTION 8. USE.

Tenant may at any time use or permit the use of the Premises for any purposes permitted by Applicable Laws, Governmental Actions and Insurance Requirements then in effect (subject to Tenant's rights to contest same pursuant to Section 27, provided that none of the following will be conducted or permitted at, on, under, to, or from the Premises: (a) a use which creates a public or private nuisance, (b) a use which violates zoning and laws that may be applicable to the Premises from time to time, (c) a use that violates any covenants or restrictions applicable to the Premises from time to time, (d) the treatment, storage, handling or disposal of a Contaminant in violation of Applicable Law, (e) any use that creates noise or sound that is objectionable by reason of intermittence, frequency, shrillness or loudness, (f) any use that creates an obnoxious odor, (g) any use that creates any excessive quantity of dust, dirt or fly ash, provided, however, this prohibition shall not preclude the sale of soils, fertilizers or other garden materials or building materials in closed containers if incident to the operation of home improvement or general merchandise store, (h) any use which involves fire, explosion or other damaging or dangerous hazard, including the storage, display or sale or explosives or fireworks, (i) any distillation, refining, smelting, agricultural or mining operations, (j) any drilling for and/or removal of subsurface substances (other than for testing purposes or as required by law), (k) any dumping of garbage, solid waste or refuse, other than in enclosed receptacles intended for such purpose, (l) any disposal, Release, or threatened Release of any Contaminant or (m) any use that is deemed environmentally sensitive by the Qualified Fee Mortgagee pursuant to the Basic Term Loan Documents or the Extended Term Loan Documents.

#### SECTION 9. SURRENDER.

(a) Upon the expiration or earlier termination of this Lease, Tenant shall surrender the Premises to Landlord in good order, condition and repair, except for ordinary wear and tear and provided, however, that notwithstanding the foregoing, Tenant shall have the right to raze some or all the Improvements damaged and destroyed so long as (i) Tenant removes all rubble and debris so as to remove any hazardous or unsightly conditions and (ii) Tenant shall have obtained any required consent of the Qualified Fee Mortgagee; and provided further that in the case of a Taking, such obligation shall only apply to the portion not taken and damage to the remaining Improvements resulting from such Taking. At the time of surrender, the Premises shall be free and clear of all subleases (other than subleases which Landlord is obligated to recognize or elects to recognize under Section 25) and all Liens (other than Permitted Liens).

(b) Tenant shall remove from the Premises on or prior to such expiration or earlier termination all personal property situated thereon which is not part of the Improvements and not owned by Landlord or permitted subtenants, and shall repair any damage caused by such removal. Property not so removed shall become the property of Landlord, which may thereafter cause such property to be removed from the Premises and disposed of, but the cost of any such removal and disposition as well as the cost of repairing any damage caused by such removal shall be borne by Tenant.

(c) At the time of such surrender, Tenant shall deliver to Landlord the original (or if the original is not in Tenant's possession, a copy) of (i) in case of termination of this Lease, executed copies of all subleases and all rent prepayments, security deposits and payments in the nature of additional rent (which have not been applied to the purposes for which they were paid), such as payments of taxes and operating expenses, paid to Tenant pursuant to each sublease which Landlord is obligated to recognize or elects to recognize under Section 25, to be held by Landlord subject to the terms of such sublease, (ii) each written guaranty and warranty then in effect with respect to the Improvements, (iii) to the extent then in Tenant's possession, each Governmental Action then required under Applicable Laws for the use, possession, operation or maintenance of the Premises, (iv) executed copies of all service and maintenance contracts then in effect with respect to the Premises, (v) all operating manuals, maintenance records and similar documents then in Tenant's possession that relate to the operation or maintenance of the Premises, (vi) all keys and combinations in Tenant's possession to all doors and other locks in the Improvements and (vii) at least one complete set of as-built plans of the Improvements.

(d) If Tenant remains in possession of the Premises after the expiration or earlier termination of this Lease, without Landlord's consent or a new lease, then Landlord, without waiving any other rights or remedies hereunder, may elect to treat Tenant as a tenant from month to month, subject to all the terms of this Lease, except that the Fixed Rent shall be the amounts provided for herein multiplied by 150%, provided that if Fixed Rent immediately before such expiration or termination is \$0, then Fixed Rent shall be 150% of the fair market rental value of the Premises for a month-to-month "as-is" Lease.

(e) The provisions of this Section 9 shall not be applicable if this Lease is terminated pursuant to Tenant's exercise of its right to purchase the Premises pursuant to Section 6(a) and (b) or Section 46.

#### SECTION 10. CONSTRUCTION.

(a) Any construction of any new Improvements on the Premises (the "New Improvements") shall be accomplished at Tenant's cost, in a first-class, workmanlike manner, free and clear of all Liens other than Permitted Liens and in conformity with the plans therefor and all Applicable Laws, Governmental Actions and Insurance Requirements then in effect. Prior to commencement of construction, as to New Improvements having a Project Cost of \$500,000 or more, Tenant shall deliver to Landlord or cause to be delivered:

(i) a detailed estimate of the Project Cost of such construction, prepared or reviewed and approved by the Project Architect,

(ii) evidence satisfactory to Landlord in its reasonable discretion that Tenant or, if applicable, the subtenant, has or has access to funds sufficient to pay such Project Cost as incurred during such construction,

(iii) evidence of all Governmental Actions required for such construction,

(iv) evidence of the insurance required under Section 21(b), and

(v) evidence of any consent or approval required from the Qualified Fee Mortgagee.

(b) During the course of such construction, Tenant shall deliver to Landlord or cause to be delivered: (i) any revision of \$100,000 or more to the estimate of Project Cost delivered pursuant to Section 10(b)(i) required to keep such estimate current in light of cost overruns and the like, prepared or reviewed and approved by the Project Architect and (ii) in case of any such increase in Project Cost, evidence satisfactory to Landlord in its reasonable discretion that Tenant, or if applicable subtenant has or has access to funds sufficient to pay such increased Project Cost as incurred.

(c) Notwithstanding the above, the Project Cost estimates, updates thereto, and Landlord's review and approval thereof shall not be required so long as Tenant, or, if applicable, subtenant, have a net worth of \$50,000,000 or more in Current Dollars.

(d) Prior to and during the course of all construction work, Tenant shall take all reasonable measures to prevent erosion of the soil and the blowing of sand or materials.

(e) Promptly upon substantial completion of New Improvements having a Project Cost greater than \$100,000 (i.e., all construction, installation and finishing work has been completed in the New Improvements, except for tenant improvements and minor items commonly found on a "punch list", as such term is used in the construction industry), Tenant shall deliver or cause to be delivered to Landlord:

(i) "as built" plans, specifications and drawings for the New Improvements,

(ii) a certificate, in standard form used by such professionals, of the Project Architect, dated currently, to the effect that the New Improvements comply with Applicable Laws and Governmental Actions then in effect,

(iii) a survey or site plan of the Premises (or the portion thereof affected by the New Improvements) satisfactory to Landlord, showing the New Improvements as completed free of encroachment on any property, street or way adjoining the Premises, and

(iv) all Governmental Actions for which such level of completion qualifies under Applicable Laws then in effect.

(f) All guaranties and warranties made by any contractor, supplier or material man in connection with the New Improvements shall be for the benefit of both Landlord and Tenant or if applicable, subtenant) and the contract with each such contractor, supplier or materialman shall so provide.

#### SECTION 11. GOVERNMENTAL ACTIONS, EASEMENTS, ETC.

(a) Tenant shall obtain or cause to be obtained all Governmental Actions required for the lawful use, occupation, operation and management of the Premises and shall comply or cause



compliance with all conditions and requirements necessary to preserve and extend such Governmental Actions.

(b) Subject to the Basic Term Loan Documents, Tenant shall have the right to petition for any change in zoning of the Premises, for itself or on behalf of subtenant(s) and Landlord shall cooperate with Tenant and/or subtenant(s) in connection therewith at No Cost to Landlord, which cooperation shall include, but not be limited to signing applications where required by law. Tenant shall have the right to make, on its own behalf or for subtenant(s) all necessary applications for utilities, provided that Tenant shall have no right to enter into an agreement which will be recordable against the Premises or will otherwise bind Landlord or any future owner or occupant of the Premises (other than Tenant, subtenants and their successors and assigns) without Landlord's consent, which will not be withheld if the agreement does not affect Landlord, Landlord's interest in the Premises or its successors in any material way and will otherwise not be unreasonably withheld.

(c) Without limiting the foregoing, Landlord shall cooperate with Tenant in preparing and filing zoning or rezoning applications, environmental impact reports, or any other application, study or declaration required under Applicable Laws or Governmental Actions then in effect in connection with construction of the New Improvements. Tenant shall pay Landlord's costs in complying with this Section 11(c).

(d) Landlord shall join with Tenant, from time to time at the request of Tenant and at Tenant's cost, with respect to their respective interests in the Premises, to (i) grant customary and reasonable easements and licenses, (ii) release easements and licenses which benefit the Premises from time to time, (iii) dedicate or transfer unimproved portions of the Land for road, highway or other public purposes, (iv) execute petitions to have the Premises annexed to any municipal corporation or utility district and (v) execute and deliver any instrument, in form and substance satisfactory to Landlord, necessary or appropriate in connection with the foregoing, but Landlord shall be required to do so only if Landlord shall have reasonably determined that such action does not affect Landlord, Landlord's interest in the Premises or Landlord's successors in any material way. If Landlord shall determine that any such easement, release, petition or instrument shall so affect Landlord, Landlord's interest in the Premises or Landlord's successors in any material way, then Landlord shall have the right, in the exercise of its reasonable discretion, to refuse to join in such easement, release, petition or instrument.

#### SECTION 12. ALTERATIONS.

(a) Tenant may, without the prior consent of Landlord, make any alteration, including Structural Alterations, to the Premises.

(b) Prior to commencement of Structural Alterations having a Project Cost of \$500,000 or more, Tenant shall deliver to Landlord the following:

(i) a notice, signed by an authorized partner or officer of Tenant, or, if applicable, subtenant, describing the nature of the work, the area of the Premises affected and the estimated describing the nature of the work, and, if Tenant or, if applicable, the subtenant, does not have a net worth of \$50,000,000 or more at such time in Current

Dollars, also setting forth Tenant's proposal for providing Landlord with evidence of access to funds sufficient to assure, in Landlord's reasonable discretion, that the work will be completed and paid for,

(ii) evidence of all Governmental Actions required prior to commencement of the work,

(iii) the security if such is required under clause Section 12(b)(i) approved by Landlord to assure that the work will be completed and paid for, and

(iv) evidence of the insurance required under Section 21(b).

(c) Tenant shall complete all alterations with diligence and continuity (subject to Unavoidable Delays), in a first-class, workmanlike manner, free and clear of all Liens other than Permitted Liens and in conformity with all Applicable Laws, Governmental Actions and Insurance Requirements then in effect. Upon completion of any such Structural Alteration, Tenant shall deliver to Landlord:

(i) a certificate of Tenant, or, if applicable, subtenant signed by an authorized partner or officer, to the effect that the work has been completed and paid for and that, as to any Liens arising out of such work, Tenant is in compliance with Section 16(a),

(ii) if the alteration affected any area of the Premises outside the perimeter of any structure on the Land immediately prior to such alteration, a survey of the Premises showing the Improvements as altered free of encroachment on any property, street or way adjoining the Premises, and

(iii) all Governmental Actions required under Applicable Laws then in effect in connection with such work.

(d) All guaranties and warranties made by any contractor, supplier or materialman in connection with any alteration shall be for the benefit of both Landlord and Tenant and the contract with each such contractor, supplier or materialman shall so provide.

(e) During the Term, all alterations and improvements made by Tenant at Tenant's cost shall be the property of Tenant. Unless otherwise provided herein, at the expiration or earlier termination of this Lease, all such alterations and improvements remaining on the Premises shall become the property of Landlord.

#### SECTION 13. MAINTENANCE AND REPAIRS.

(a) Subject to Section 10, Section 13(c), Section 20 and Section 22, Tenant shall keep and maintain the Premises and the adjoining sidewalks and curbs in good repair and condition, except for ordinary wear and tear, and shall promptly make all repairs thereto and replacements thereof necessary or appropriate to maintain the same in good repair and condition, whether interior or exterior, structural or nonstructural, ordinary or extraordinary, foreseen or unforeseen. All repairs and replacements shall be equal in quality to the original work. Landlord shall not be required to maintain, alter, repair, rebuild or replace the Premises. Notwithstanding the above, there is no

covenant, express or implied, in this Lease requiring Tenant or any subtenant to operate or remain open for business.

(b) In connection with any excavation or other construction work on the Premises or adjoining property, Tenant shall do or cause to be done all shoring and other work necessary or appropriate for the preservation and safety of the Premises whether or not required under Applicable Laws then in effect.

(c) Tenant shall have the right to raze all or any part of the Improvements so long as (i) Tenant removes all rubble and debris so as to remove any hazardous or unsightly conditions and otherwise to comply with Applicable Laws and (ii) if same shall occur when the Basic Term Loan is outstanding, Tenant shall have received consent from the Qualified Fee Mortgagee as required pursuant to the Basic Term Loan Documents.

#### SECTION 14. CLAIMS AGAINST LANDLORD.

Nothing in this Lease shall constitute a consent or request by Landlord, express or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect of the Premises or as giving Tenant the right or power to contract for or permit the performance or furnishing of any labor or materials or other property in such manner as would permit the making of a claim against Landlord in respect thereof. Tenant waives any right to make repairs at the expense of Landlord which may be provided for in Applicable Laws in effect from time to time.

#### SECTION 15. INSPECTION.

Landlord, the Qualified Fee Mortgagee and their authorized representatives shall have the right to inspect the Premises at any time in emergencies without notice and from time to time during business hours upon at least five business days' notice. No such entry shall constitute an eviction of Tenant. Landlord shall have no duty to make any such inspection.

#### SECTION 16. LIENS AND ENCROACHMENTS.

(a) Subject to Section 27 relating to contests, Tenant shall not permit to remain, and shall promptly discharge, all Liens, other than Permitted Liens and any Liens that are Landlord's responsibility to discharge.

(b) If the New Improvements or any subsequent Improvements encroach upon any adjoining property, Tenant shall, on Landlord's demand, remove the encroaching portion of the Improvements and restore the Improvements so that they will not encroach on adjoining property and otherwise meet the requirements of this Lease for Restoration after a casualty or Taking.

#### SECTION 17. IMPOSITIONS; UTILITY SERVICES.

(a) Subject to Section 27 relating to contests, Tenant shall pay, not later than 10 days before delinquency, all Impositions becoming due on or prior to the date of the expiration of the Term provided that, if on or prior to such expiration date the Premises are subject to any assessment payable in annual installments of which the first installment is a Lien or has been paid, Tenant

shall pay and discharge on or prior to such expiration date only the installments due and payable prior to such expiration date, and the proration provisions in the immediately succeeding sentence shall apply only to the last such installment paid, if payable in advance, or the next such installment to be paid, if payable in arrears. Subject to the proviso in the immediately preceding sentence, upon such expiration date, Impositions shall be prorated between the parties on a per diem basis so that Tenant shall be responsible for all Impositions, whenever they become due, which are allocable to the period beginning on the commencement date of this Lease and ending on such expiration date and Landlord shall be responsible for all Impositions, whenever they become due, which are allocable to any period prior to such commencement date and following such expiration date. Tenant shall deliver to Landlord, within 10 days after demand therefor, satisfactory proof of the payment of any Imposition required to be paid by Tenant. If, to compute the amount of any Imposition, it shall be necessary to apportion between the Premises and any other property any tax, assessment, levy or other governmental charge, Tenant shall obtain such apportionment.

(b) Notwithstanding anything to the contrary contained in this Section 17, if escrow deposits of Impositions are required pursuant to the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable, Tenant will make such deposits in the manner so required. If any such escrow deposits are released or are more than actually required pursuant to the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable, Landlord shall return such difference to Tenant as, if and when received from the Qualified Fee Mortgagee, Escrow Agent or otherwise.

(c) Tenant shall pay or cause to be paid, before delinquency, all charges for public or private utility or communication services and any sprinkler systems and protective services at any time rendered to or in connection with the Premises, shall comply with all contracts relating to such services, and shall do all other things required for the maintenance and continuance of all such services. Upon the expiration or earlier termination of the this Lease, the charges for such services for the applicable period containing the date of such expiration or termination shall be prorated between the parties as of the date of such expiration or termination on the basis of meter readings, receipts or other evidence of payment of amounts due reasonably satisfactory to Landlord.

#### SECTION 18. INDEMNIFICATION.

Tenant shall pay or indemnify, hold harmless and defend Landlord, Manager and the Qualified Fee Mortgagee from and against all loss, liability, damage, litigation, sums paid in settlement of any of the foregoing and cost (including reasonable attorneys' fees), except to the extent caused by the gross negligence (other than negligence imputed by law) or willful misconduct or from the acts and omissions prior to the Term of Landlord or any of its Affiliates, representatives, agents, employees, contractors or invitees, arising during the Term from: (a) any use or condition of the Premises or the adjoining sidewalks, curbs, streets or ways, including (i) claims or penalties arising from any violation of Applicable Laws or Governmental Actions or in tort, (ii) loss of or damage to any property or the environment (including clean-up costs, response costs, costs of corrective action, costs of financial assurance and natural resource damage), or death or injury to any person, (iii) latent or other defects, whether or not discoverable, (iv) the existence or Release of any Contaminant at the Premises and (v) breach of this Lease; (b) Tenant's negligence; (c) Tenant's work on the

Premises; (d) any encroachment of the Improvements (excluding the existing Improvements) on any property, street or way adjoining the Premises; and (e) any liability imposed upon Landlord pursuant to any indemnification given by Landlord under Basic Term Loan Documents or the Extended Term Loan Documents, as applicable. Subject to Section 34, Landlord shall pay or indemnify, hold harmless and defend Tenant from and against all loss, liability, damage, litigation, sums paid in settlement of any of the foregoing and cost (including reasonable attorneys' fees) arising from (A) Landlord's breach of its covenants, representations and warranties contained in this Lease, (B) the gross negligence (other than negligence imputed by law) or willful misconduct of Landlord, Manager or Landlord's Affiliates, representatives, agents, contractors, employees or invitees or (C) any default under the Basic Term Loan Documents or the Extended Term Loan documents resulting solely from the acts or omissions of Landlord, Manager or Landlord's Affiliates. Landlord shall promptly reimburse Tenant for any late fees, default interest or other charges paid by Tenant which resulted solely from the acts or omissions of Landlord, Manager or Landlord's Affiliates.

SECTION 19.

COMPLIANCE WITH LEGAL AND INSURANCE REQUIREMENTS AND INSTRUMENTS OF RECORD.

Subject to Section 27 relating to contests, Tenant shall promptly (a) comply with and cause the Premises and all occupants of the Premises to comply with all Applicable Laws, Governmental Actions and Insurance Requirements in effect from time to time, whether or not compliance shall require structural or extraordinary changes in the Premises, or shall interfere with any use of the Premises, and (b) comply with the provisions of any instruments at the time of record against the Premises, other than those recorded after the date of this Lease and resulting from acts of Landlord not requested by or consented to by Tenant.

SECTION 20. TAKING.

(a) NOTICE AND RIGHT TO APPEAR. In case of a Taking or the commencement during the Term of any proceedings or negotiations that Tenant believes may result in a Taking, Tenant shall promptly give notice thereof to Landlord, generally describing the nature and extent of such Taking or the nature of such proceedings or negotiations and the nature and extent of the Taking which might result therefrom, as the case may be. Landlord and Tenant shall have the right to appear in such proceedings, as their interests may appear and be represented by their respective counsel.

(b) TERMINATION OF LEASE ON TOTAL TAKING. In case of a Taking of all or substantially all of the Premises (other than a temporary taking for 365 days or less), including any Taking which deprives Tenant of the occupancy, use or ownership of all or substantially of the Premises (a "Total Taking") during the Basic Term, this Lease shall terminate on the date of such Taking, except with respect to obligations and liabilities of Tenant under this Lease, which have accrued on or prior to such date and obligations expressed herein as surviving termination, and Tenant shall pay all minimum rent accrued to such date of termination and all other amounts then due and payable by Tenant hereunder. In case of a Total Taking during the Extended Term, then, at the option of Tenant exercised by notice to Landlord not more than 30 days after such Taking, this Lease shall terminate on the date of such Taking, except with respect to obligations and liabilities of Tenant under this Lease, which have accrued on or prior to such date and obligations expressed herein as surviving termination, and Tenant shall pay all minimum rent

accrued to such date of termination and all other amounts then due and payable by Tenant hereunder.

(c) TOTAL TAKING DURING THE BASIC TERM. If there is a Total Taking during the Basic Term, then the award on account of such Taking shall be applied as follows: (i) first to the repayment of all amounts then due pursuant to the Basic Term Loan Documents (including interest, principal, fees, costs and other charges due thereunder), (ii) then to Landlord up to a maximum of \$7,000,000 and (iii) then to Tenant.

(d) TOTAL TAKING DURING EXTENDED TERM. Unless Tenant elects not to terminate this Lease on a Total Taking pursuant to Section 20(b), if there is a Total Taking during the Extended Term, then the award on account of such Taking shall be applied as follows: (i) first to the repayment of all amounts then due pursuant to the Extended Term Loan Documents (including interest, principal, fees, costs and other charges due thereunder), (ii) then to Landlord up to a maximum of \$7,000,000, (iii) then to Tenant and subtenant(s) to reimburse them for leasehold improvements (net of amortization through the date of the condemnation) and, to the extent of remaining funds from the award, the full amount allocated for relocation, loss of business, interruption of business, or similar damage and (iv) then to Landlord.

(e) PARTIAL TAKING. In case of a Taking (other than a Taking for temporary use of 365 days or less) of a portion of the Premises which does not result in termination of this Lease as provided in Section 20(b), this Lease shall continue in full force and effect as to the portion of the Premises remaining after the Taking, the minimum rent shall be abated in accordance with Section 20(f), and Tenant shall, whether or not any award paid to Tenant on account of such Taking shall be sufficient for the purpose, promptly commence or promptly cause the commencement of either the prompt removal of any remaining debris or hazardous conditions upon the remaining Premises or, at Tenant's option, Restoration of all or part of the Premises and/or new construction on the Premises consistent with the provisions of this Lease, in a first-class, workmanlike manner, free and clear of all Liens other than Permitted Liens and in conformity with all Applicable Laws, Governmental Actions and Insurance Requirements then in effect. Prior to commencement of Restoration, Tenant shall deliver to Landlord:

(i) an estimate of the cost of Restoration prepared by a licensed professional engineer or registered architect satisfactory to Landlord,

(ii) evidence of access to funds sufficient to pay for such Restoration, or in the alternative, security satisfactory to Landlord that Restoration will be completed and paid for; provided that such will not be required if Tenant then has a net worth in excess of \$50,000,000 in Current Dollars,

(iii) evidence of all Governmental Actions required prior to such commencement, and

(iv) evidence of the insurance required under Section 21(b).

To the extent that such Restoration involves Structural Alterations, Tenant shall also comply with Section 12. If the grade of any street abutting the Premises is changed, Tenant shall

promptly do whatever is necessary to restore the Premises as nearly as practicable to their condition and utility immediately prior to such change.

(f) DISTRIBUTION OF AWARD ON PARTIAL TAKING. If there is a partial taking, or in the absence of Tenant's election to terminate this Lease upon a Total Taking during the Extended Term, this Lease shall continue in full force and effect. In either such events, the entire award up to the Loan Retirement Amount shall be applied to prepayment of the Loan. If there remains any award thereafter, any balance of the award up to \$7,000,000 shall be paid to Landlord, the unamortized value of any Improvements constructed by Tenant or subtenants which are the subject of such Taking plus the costs incurred by Tenant or subtenants for relocation, loss of business, interruption of business, or similar damage shall be paid to Tenant (or, if applicable, subtenants) and any balance of the award thereafter shall be paid to Landlord. In case of such Partial Taking the annual Fixed Rent shall thereafter be reduced, dollar for dollar, by the amount by which annual debt service under the Loan shall be reduced as a result thereof.

(g) AWARDS INCLUDE SETTLEMENT PAYMENTS. All amounts paid pursuant to any agreement with any Governmental Authority which has been made in settlement of any Taking proceeding affecting the Premises shall be deemed to constitute an award made in such proceeding.

(h) DISTRIBUTION OF AWARD ON TEMPORARY TAKING. In the event of a temporary Taking of all or a portion of the Premises (i.e., for less than 365 days), any award thereon or compensation on account thereof shall be paid to Tenant or if applicable, to its subtenant(s), this Lease shall continue in full force and effect and there shall be no abatement of Fixed Rent.

(i) EFFECT OF TERMINATION. If this Lease shall terminate pursuant to this Section 20, all of Tenant's obligations under this Lease (other than (i) obligations which are impossible of performance because Tenant no longer has possession of the Premises, (ii) Tenant's obligation to pay Fixed Rent pursuant to Section 5(a)(i) and (iii) Tenant's obligation to pay in sum in excess of the Loan Retirement Amount in connection with any exercise or deemed exercise of the Purchase Option) shall nevertheless survive until all obligations under the Basic Term Loan Documents are satisfied.

#### Section 21. INSURANCE.

(a) Tenant shall at all times maintain with respect to the Improvements insurance of the following character:

(i) "All risk" fire and extended coverage insurance, including fire, legal liability for contracts including this Lease, theft, flood, water damage, collapse, earthquake, windstorm, hail, boiler and machinery, lightning, explosion (excluding nuclear), aircraft and back-up and seepage of sewers and drains, against loss or damage to the Premises, in an amount not less than the full replacement value of the Improvements, exclusive of architectural and engineering fees, excavation, footings and foundations, on an agreed amount basis as determined not less often than every two years, at the request of Landlord and at Tenant's cost by the insurer or insurers or by an expert approved by

Landlord. The maximum permitted deductible under such policy shall be \$1,000,000 in Current Dollars.

(ii) Commercial general liability insurance (including coverage for contractual liability, personal injury, death and property damage) covering claims arising out of the ownership, operation, maintenance, condition or use of the Premises and the adjoining sidewalks, curbs, vaults and ways, with a combined single limit of not less than \$1,000,000 in Current Dollars per occurrence for injury to persons, including death resulting therefrom, and property damage, an aggregate limit of not less than \$2,000,000 in Current Dollars and "umbrella coverage" of at least \$20,000,000 in Current Dollars. The policy of such insurance shall provide that the coverage afforded thereby shall not be affected by any demolition, construction or other work on the Premises.

(iii) Worker's compensation insurance meeting all requirements of Applicable Laws in effect from time to time.

(iv) From the earlier of (A) the time Tenant or any of its agents or contractors enters the Premises or (B) November 4, 2001, Environmental Impairment Liability insurance for third party damages and injuries with limits of no less than \$1,000,000 in Current Dollars or other security acceptable to Landlord and the Qualified Fee Mortgagee.

(v) Malicious Mischief Insurance coverage with limits of no less than \$3,000,000 in Current Dollars per occurrence and no less than \$3,000,000 in Current Dollars in the aggregate.

(vi) Such other insurance in such amounts and with such deductibles as may be required by the Qualified Fee Mortgagee.

(b) During the period of any demolition or construction on the Premises, Tenant shall, in addition to the insurance required under Section 21(a), maintain or cause to be maintained builder's risk insurance in completed value (nonreporting) form for improvements under construction, during the period of such construction, including building materials, against loss or damage by fire, lightning and other risks from time to time included under extended coverage endorsements, earthquake and perils insured under a difference in conditions policy in an amount not less than the cost, as reasonably estimated by the parties, of the improvements under construction. The maximum permitted deductible under the policy of such insurance shall be \$1,000,000 in Current Dollars. Tenant shall cause contractors under contracts entered into by Tenant with respect to construction of the New Improvements, Restoration and alterations to maintain worker's compensation insurance meeting all requirements of Applicable Laws then in effect.

(c) All insurance required under Section 21(a) and (b) shall be written by insurers of recognized financial standing which are authorized to do an insurance business in the state in which the Premises are located and have, at the time such insurance is issued or renewed, an Alfred M. Best Company, Inc. rating of A-:X or better (or equivalent ratings by a generally recognized successor rating agency).



(d) Tenant shall obtain endorsements to the insurance policies carried pursuant to Section 21(a)(i) and (b) providing that (i) Landlord, Manager and the Qualified Fee Mortgagee (collectively, the "Additional Insureds") are included as additional insureds, as their interests may appear, but are not liable for the payment of premiums, (ii) the insurer waives all rights of subrogation against the Additional Insureds with respect to their respective interests in the Premises, (iii) such insurance is primary, without right of contribution of any other insurance carried by or on behalf of any Additional Insured with respect to its interest in the Premises (including its leasehold in the Premises and interest in the Improvements), (iv) loss payable under such policies shall not be reduced by reason of any right of set-off or counterclaim that the insurer may have against Tenant or any Additional Insured, (v) as to the Additional Insureds, such policies shall not be invalidated by and loss shall be payable notwithstanding (A) any action or inaction of Tenant or of any other person, (B) any act or negligence, including any breach of any condition, declaration or warranty in any policy of insurance, of Tenant or any Additional Insured, (C) the occupation or use of the Premises for purposes more hazardous than permitted by the terms of the policies, (D) any foreclosure or other proceeding or notice of sale relating to the Premises, or (E) as to any mortgagee, any change in the title to or ownership of the Premises, and (vi) no lapse, cancellation or material change with respect to such policies shall be effective as to an Additional Insured until at least 30 days after receipt by such Additional Insured of written notice thereof. With respect to the insurance policies carried pursuant to Section 21(a)(ii), Tenant shall obtain the endorsements described in clauses (i), (iv) and (vi) of this Section 21(d), and in addition Tenant shall obtain a "severability of interest" or "cross-liability" endorsement which shall preclude the insurer from denying the claim of any named insured or Additional Insured due to the negligent acts of any other named insured or Additional Insured.

(e) Any insurance required under this Section 21 may be evidenced by blanket insurance policies covering the Premises and other property or assets of Tenant or any subtenant of Tenant, provided that the protection afforded thereby shall be no less than that which would have been afforded under a separate policy relating only to the Premises and each policy of such insurance shall in all other respects comply with this Section 21. The Premises shall be separately scheduled with respect to the Qualified Fee Mortgagee on any insurance policy obtained by Tenant and such insurance shall be for a stipulated amount so as to avoid co-insurance.

(f) Loss, if any, under each policy of property insurance required under Section 21(a) or (b) shall be adjusted with the insurance companies by Tenant, Landlord and the Qualified Fee Mortgagee. The proceeds thereof shall be paid to or upon the direction of the Qualified Fee Mortgagee (which shall be the loss payee) to the extent required by the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable. Any proceeds which are not required to be paid to or upon the direction of the Qualified Fee Mortgagee pursuant to the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable, shall be paid to Tenant as loss payee.

(g) Upon the execution and delivery of this Lease and promptly after Tenant shall become obligated to maintain any other insurance provided for in this Section 21, Tenant shall deliver to Landlord either certificates of insurers evidencing all insurance which is then required to be maintained by Tenant hereunder or, upon request of Landlord, original or duplicate policies of such insurance, and in either case evidence satisfactory to Landlord and the Qualified Fee

Mortgagee of the payment of the related premiums. Within 30 days prior to the expiration of any such insurance, Tenant shall deliver to Landlord either certificates of insurers evidencing the renewal of such insurance or, upon request of Landlord, original or duplicate policies of such insurance, and in either case evidence satisfactory to Landlord of the payment of the related premiums.

(h) Should Tenant fail to maintain any insurance provided for in this Section 21, or to pay the premium therefor, or to deliver to Landlord any of such policies or certificates, Landlord may, upon 10 days' notice to Tenant of its intention to do so, procure such insurance and any sums expended by it to procure such insurance shall be repaid by Tenant on demand of Landlord.

(i) Neither Landlord nor Tenant shall obtain or carry separate insurance with respect to the Premises concurrent in form or contributing in the event of loss with that required in this Section 21 unless the other party is included as a named insured or additional insured, with loss payable as provided in this Section 21. Each party shall promptly notify the other whenever any such separate insurance is obtained and shall deliver to the other original or duplicate policies, or certificates of insurers in form and substance satisfactory to the other, evidencing such insurance.

#### Section 22. DAMAGE OR DESTRUCTION.

(a) If the Improvements are damaged or destroyed, Tenant shall promptly give notice to Landlord of such damage or destruction in excess of an amount equal to \$100,000 in Current Dollars, generally describing the nature and extent of such damage or destruction and setting forth Tenant's best estimate of the cost of Restoration.

(b) In case of damage to or destruction of the Improvements, or other damage caused by fire or casualty with respect to the Premises that occurs while a Basic Term Loan or Extended Term Loan is outstanding, all insurance proceeds shall be paid in accordance with Section 21(f). If such Restoration is commenced, Tenant shall complete it in a first-class, workmanlike manner, free and clear of all Liens other than Permitted Liens and in conformity with all Applicable Laws, Governmental Actions and Insurance Requirements then in effect. Prior to commencement of Restoration, Tenant shall deliver to Landlord:

(i) an estimate of the cost of Restoration prepared by a licensed professional engineer or registered architect satisfactory to Landlord,

(ii) evidence that Tenant has access to sufficient funds, including insurance proceeds, or, in the alternative, security satisfactory to Landlord that Restoration will be completed and paid for,

(iii) evidence of all Governmental Actions required prior to such commencement,

(iv) evidence of the insurance required under Section 21(b), and

(v) evidence of all consents and approvals required from the Qualified Fee Mortgagee.

The evidence required pursuant to Section 21(b)(ii) shall not be required if Tenant, or, if the damage pertains to any portion of the Premises applicable thereto, subtenant, then has a net worth in excess of \$50,000,000 in Current Dollars.

(c) Tenant waives the provisions of Applicable Laws in effect from time to time relating to damage or destruction, and agrees that the provisions of this Lease shall control the rights of Landlord and Tenant.

#### Section 23. ASSIGNMENT BY TENANT.

(a) Tenant shall have the right to assign this Lease only in accordance with this Section 23. Landlord's consent to an assignment shall be required only if such consent is required pursuant to this Section 23. No assignment of Tenant's interest under this Lease shall be made, directly or indirectly, whether by operation of law or otherwise, without (i) in connection with an assignment to a governmental or quasi-governmental bureau, department or agency, foreign or domestic, including an autonomous governmental corporation or diplomatic or trade mission, or any other person or entity entitled to diplomatic or sovereign immunity, the prior consent of Landlord, which consent may be withheld in Landlord's sole discretion, (ii) in all cases, compliance by Tenant with the applicable requirements set forth in Section 23(b) and (iii) the Qualified Fee Mortgagee shall have consented to such assignment. In no event shall Landlord be required to give its consent to any assignment of this Lease unless and until the Qualified Fee Mortgagee shall have consented thereto.

(b) No assignment of this Lease shall be effective for any purposes unless (i) Tenant shall deliver to Landlord, at least 30 days prior to the consummation of such transaction, (A) an executed counterpart of the instrument effecting such assignment, in recordable form and otherwise in form and substance satisfactory to Landlord, containing inter alia the name, address and telephone number of the assignee, (B) an executed instrument of assumption of Tenant's obligations under this Lease by such assignee, in recordable form and otherwise in form and substance satisfactory to Landlord in its reasonable judgment, and (C) such other implementation documents consistent therewith and with the terms of this Lease as Landlord may reasonably request, and (ii) on the date such assignment is consummated, no Event of Default, or event which with notice or the passage of time would constitute an Event of Default, shall have occurred and be continuing which Event of Default will not be cured by the assignment.

(c) Notwithstanding Section 23(a), in no event shall the ownership of the Improvements or Tenant's interest under this Lease be subjected to a condominium or horizontal property regime or be converted to cooperative ownership during the Term.

(d) Tenant may not assign this Lease or any interest of Tenant hereunder separately from its title to the Improvements.

(e) No assignment of Tenant's interest under this Lease shall be valid unless made in compliance with this Section 23.

(f) For purposes of this Section 23, the term "assignment of Tenant's interest under this Lease" shall include the direct or indirect assignment (in either a single transaction or a series of

transactions) of the controlling stock ownership of any corporation which is Tenant under this Lease (other than through the sale of shares of a publicly traded corporation on a nationally recognized stock exchange or a nationally recognized over-the-counter quotation system, unless that sale is part of a tender offer or similar transaction pursuant to which direct or indirect control of Tenant is acquired by one or more related persons or entities) or which is a general partner of any partnership which is Tenant under this Lease or which is a direct or indirect parent of any such Tenant or general partner, and the direct or indirect assignment of any general partner's interest in a partnership which is Tenant under this Lease; and the term "assignment" shall include a sale or any other transfer.

(g) The assignment, and Landlord's review of documentation and implementation thereof under this Section 23 shall be at No Cost to Landlord.

(h) No assignment of this Lease shall release the originally named Tenant, Guarantor or any assignee thereof from the obligations of Tenant hereunder without the consent of Landlord and the Qualified Fee Mortgagee, which consent may be withheld in the Qualified Fee Mortgagee's sole discretion so long as Svenska Handelsbanken AB (publ) is the Qualified Fee Mortgagee.

**Section 24. RIGHTS OF LEASEHOLD MORTGAGEES, SUBLEASEHOLD MORTGAGEES AND QUALIFIED FEE MORTGAGEE.**

(a) **TENANT'S RIGHT TO MORTGAGE.** Tenant shall have the right to mortgage, pledge or grant a security interest in its interest in the Premises and in its leasehold in the Premises, and interest in the Improvements, furnishings, furniture, equipment, fixtures, and personal property thereon, from time to time by one or more mortgages, deeds of trust, deeds to secure debt, security agreements or other appropriate instruments, subject to this Section 24 and, if the same occurs during the Basic Term, the consent of the Qualified Fee Mortgagee to the extent required under the Basic Term Loan Documents. Tenant may, subject to obtaining any consent required pursuant to the Basic Term Loan Documents but without the consent of Landlord, execute and deliver from time to time one or more mortgages of, or pledges or grants of a security interest in, its interest in the Premises (including its leasehold and its interest in the Improvements) to one or more Institutional Lenders, each of which mortgages shall encumber no other premises or any interest therein and shall provide in substance that the mortgagee thereunder waives any right to retain and apply any Taking award to the extent such award is required to be applied otherwise by the express terms of this Lease (each such mortgage or instrument being herein referred to as a "Leasehold Mortgage" until it is discharged or satisfied). The lien of a Leasehold Mortgage shall in all events be subject and subordinate to the lien of the Qualified Fee Mortgage but prior to any "landlord" or similar lien now or hereafter existing upon personal property in connection with the Premises, but shall be subordinate to the Basic Term Loan and, if applicable the Extended Term Loan and the Qualified Fee Mortgage securing same. At any time after the execution and delivery of a Leasehold Mortgage, Tenant may send Landlord a notice ("Tenant's Notice") advising of the existence thereof and the address of the mortgagee or beneficiary thereunder for the service of notice, which notice shall be accompanied by conformed copies of such Leasehold Mortgage, the note or other obligation secured thereby and all other documents securing such note or obligation and a certificate of Tenant to the effect that such copies are correct and complete. Each mortgagee or beneficiary under a Leasehold Mortgage with respect

to which a notice is given to Landlord in accordance with the immediately preceding sentence is herein referred to as a "Leasehold Mortgagee" until the related Leasehold Mortgage is discharged or satisfied. Upon the request of Landlord, Tenant shall furnish Landlord with proof satisfactory to Landlord of the priority of such Leasehold Mortgage with respect to other Liens. Any Leasehold Mortgagee may from time to time send Landlord a notice advising of the change of its address for purposes of this Lease or of the assignment of its Leasehold Mortgage and the name and address of the assignee, and upon receipt thereof by Landlord, Tenant's Notice shall be deemed amended accordingly. All Leasehold Mortgages shall be subordinate to the Qualified Fee Mortgage.

(b) SUBTENANT'S RIGHT TO MORTGAGE. Subtenants who are (and whose subleases are) Qualified Subtenants and Subleases hereunder or that are required to be recognized by Landlord hereunder shall have the right to mortgage, pledge or grant a security interest in its interest in a sublease and subtenant's subleasehold estate in the Premises and interest in the Improvements, furnishings, fixtures and personal property thereon, from time to time by a Leasehold Mortgage to an Institutional Lender as Leasehold Mortgagee, subject to the Qualified Fee Mortgage, any First Leasehold Mortgage and this Section 24 and the consent of the Qualified Fee Mortgagee to the extent required. Each such mortgage shall encumber no other premises or any interest therein (each such mortgage being also herein referred to as a "Leasehold Mortgage" until it is discharged or satisfied). The lien of a Leasehold Mortgage shall be subject and subordinate to the lien of the Qualified Fee Mortgage but in all events prior to any "landlord" or similar lien now or hereafter existing upon personal property in connection with the Premises, but shall be subordinate to any First Leasehold Mortgage and the Qualified Fee Mortgage. At any time after the execution and delivery of a Leasehold Mortgage, Tenant or, if applicable, Subtenant, may send Landlord a notice ("Tenant's Notice") advising of the existence thereof and the address of the mortgagee or beneficiary thereunder for the service of notice, which notice shall be accompanied by conformed copies of such Leasehold Mortgage, the note or other obligation secured thereby and all other documents securing such note or obligation and a certificate of Tenant to the effect that such copies are correct and complete. Each mortgagee or beneficiary under a Leasehold Mortgage with respect to which a notice is given to Landlord in accordance with the immediately preceding sentence is herein referred to as a "Leasehold Mortgagee" until the related Leasehold Mortgage is discharged or satisfied. Upon request of Landlord, Tenant shall furnish Landlord with proof satisfactory to Landlord of the priority of such Leasehold Mortgage with respect to other Liens. Any Leasehold Mortgagee may from time to time send Landlord a notice advising of the change of its address for purposes of this Lease or of the assignment of its Leasehold Mortgage and the name and address of the assignee, and upon receipt thereof by Landlord, Tenant's Notice shall be deemed amended accordingly.

(c) RECOGNITION AGREEMENTS. Landlord shall, upon request of Tenant, execute a recognition agreement with Tenant and/or such Qualified Subtenant and/or the Leasehold Mortgagee in the then current forms adopted by the Qualified Fee Mortgagee further evidencing and agreeing to those rights of non-disturbance and recognition in favor of Qualified Subtenants and their lenders (as to subleasehold improvements) contemplated hereby and under the terms of the Basic Term Loan Documents, and also to changes to the form as such Leasehold Mortgagee and such Qualified Subtenant shall reasonably require, provided that Landlord shall have no obligation to enter into any such agreement unless and until the Qualified Fee Mortgagee shall

have entered into a comparable agreement with Tenant and/or such Qualified Subtenant and/or the Leasehold Mortgagee.

(d) RIGHT OF LEASEHOLD MORTGAGEE AFTER EVENT OF DEFAULT. If an Event of Default by Tenant hereunder occurs, notice to that effect shall be sent by Landlord to each Leasehold Mortgagee, and Landlord shall take no action to terminate this Lease or to interfere with the occupancy, use or enjoyment of the Premises as a result of such Event of Default, provided that (i) not later than 20 days after the giving of each such notice by Landlord, a Leasehold Mortgagee shall give Landlord notice that such Leasehold Mortgagee intends to exercise its rights under this Section 24(d) to forestall such action, and (ii):

(A) if such Event of Default is a default in the payment of Rent, such Leasehold Mortgagee shall remedy such default not later than 20 days after the giving of such notice by Landlord; or

(B) if such Event of Default is a default in observing or performing any other condition or covenant to be observed or performed by Tenant and can be remedied by such Leasehold Mortgagee without obtaining possession of the Premises, such Leasehold Mortgagee shall remedy such default not later than 30 days after the giving of such notice by Landlord, provided that in the case of a default which cannot with diligence be remedied, or the remedy of which cannot be commenced, within such period of 30 days, such Leasehold Mortgagee shall have such additional period as may be necessary to remedy such default with diligence and continuity but not in excess of 180 days after the giving of such notice by Landlord; or

(C) if such Event of Default is a default which can only be remedied by such Leasehold Mortgagee upon obtaining possession of the Premises, such Leasehold Mortgagee shall obtain such possession with diligence and continuity, through a receiver or otherwise, and shall remedy such default within 30 days after obtaining such possession, provided that in the case of a default which cannot with diligence be remedied, or the remedy of which cannot be commenced, within such period of 30 days, such Leasehold Mortgagee shall have such additional period as may be necessary to remedy such default with diligence and continuity but not in excess of 180 days after obtaining such possession; or

(D) if such Event of Default is an Event of Insolvency, such Leasehold Mortgagee shall have no obligation to remedy such Event of Default but shall foreclose its Leasehold Mortgage with diligence and continuity or accept an assignment in lieu of foreclosure and upon completion of such foreclosure or acceptance of such assignment, such Event of Default shall be deemed remedied.

Upon compliance with the foregoing, the notice of Landlord advising of such Event of Default and any action of Landlord to terminate this Lease or to interfere with the occupancy, use or enjoyment of the Premises by reason of such Event of Default shall be deemed rescinded and this Lease shall continue in full force and effect. If more than one Event of Default of which Landlord shall have given notice as aforesaid shall exist at the same time, the restrictions on Landlord's remedies in this Section 24(d) shall cease unless clauses (i) and (ii) above are complied

with as to each such Event of Default. Tenant acknowledges that the Qualified Fee Mortgagee shall not be obligated to afford any of the cure periods set forth in this Section 24(d) or to accept any cure proffered by a Leasehold Mortgagee under this Section 24(d) during such cure periods, except in accordance with the rights of a Qualified Subleasehold Mortgagee in accordance with a recognition agreement as contemplated hereunder and under the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable.

(e) PERFORMANCE OF TENANT'S OBLIGATION BY LEASEHOLD MORTGAGEE. If an Event of Default occurs, each Leasehold Mortgagee shall have the right, but not the obligation, to remedy such Event of Default or to cause it to be remedied, and Landlord shall accept such remedy on the part of such Leasehold Mortgagee. No Leasehold Mortgagee shall have any personal liability for performance of Tenant's obligations under this Lease unless and until such Leasehold Mortgagee acquires title to Tenant's leasehold estate or assumes possession of the premises. Tenant acknowledges that the Qualified Fee Mortgagee shall not be obligated to accept such performance, except in accordance with the rights of a Qualified Subleasehold Mortgagee pursuant to a recognition agreement as contemplated hereunder and under the Basic Term Loan Documents.

(f) NEW LEASE. If, prior to the expiration of the Term, Landlord shall terminate this Lease for any reason, Landlord shall promptly notify the First Leasehold Mortgagee of such termination and the First Leasehold Mortgagee shall have the right to request Landlord to enter into a New Lease of the Premises with the First Leasehold Mortgagee or a person designated by the First Leasehold Mortgagee, such right to be exercisable by notice to Landlord within 30 days after the giving of such notice of termination by Landlord, accompanied by a statement by the First Leasehold Mortgagee of the amount of principal, interest and other sums due it under its Leasehold Mortgage and its undertaking in writing to remedy all defaults on the part of Tenant under this Lease (other than an Event of Insolvency) and to pay to Landlord the sum of the following (the "accrued amounts"): all Rent accrued hereunder to the date of termination, all minimum rent that would have accrued hereunder to the date of delivery of such New Lease had this Lease not been terminated, any net deficit incurred by Landlord in operating the Premises from the date of termination of this Lease to the date of delivery of such New Lease and all costs, including attorneys' fees, incurred by Landlord in connection with the termination of this Lease and with the execution and delivery of such New Lease. Within 30 days after receipt by Landlord from Tenant of such notice, statement and undertaking, at Landlord's election: (i) Landlord shall pay the First Leasehold Mortgagee the amount due it under its Leasehold Mortgage, exclusive of prepayment premiums or penalties, if any, in which event the First Leasehold Mortgagee shall execute and deliver to Landlord either (at Landlord's election) a recordable form of satisfaction and discharge of the First Leasehold Mortgage or an assignment thereof to Landlord, the First Leasehold Mortgagee shall be released from its undertaking and Landlord shall have no obligation to enter into a new lease with the First Leasehold Mortgagee, or (ii) Landlord shall tender to the First Leasehold Mortgagee or its designee the New Lease, executed by Landlord. If Landlord tenders the New Lease pursuant to clause (ii) of this Section 24(f), then unless within 10 days after such tender the First Leasehold Mortgagee or its designee executes and delivers the New Lease to Landlord and the First Leasehold Mortgagee pays Landlord the accrued amounts, Landlord shall have no further obligation to the First Leasehold Mortgagee or its designee under this Section 24(f). It is the intention of the parties that such New

Lease shall have the same priority relative to other rights or interests to or in the Premises as this Lease (and that any subleases and rights and obligations of subtenants shall not be merged or discharged thereby, but continue and attach as subleases and rights and obligations of subtenants under the New Lease in the same manner and with the same effect as hereunder), but Landlord shall have no liability to any person as a result of the New Lease not having that priority. The provisions of this Section 24(f) shall survive the termination of this Lease and shall continue in full force and effect thereafter to the same extent as if this Section 24(f) were a separate and independent contract among Landlord, Tenant and the First Leasehold Mortgagee. Notwithstanding anything to the contrary contained in this Section 24(f), in no event shall Landlord grant a New Lease to the First Leasehold Mortgagee for so long as Svenska Handelsbanken AB (publ) is the Qualified Fee Mortgagee.

(g) NON-TERMINATION/CONSENT OF MORTGAGEES. Notwithstanding anything else contained in this Lease, without the prior consent of each Leasehold Mortgagee, this Lease shall not be terminated, surrendered or amended (other than pursuant to Tenant's exercise of the Purchase Option, which purchase, as provided in this Lease, shall not merge the estates hereunder or terminate the rights of subtenants or Leasehold Mortgagees without their prior written consent), except by termination, if any, after an Event of Default by Tenant hereunder and the expiration of all notice and cure periods (including notice and cure periods to Leasehold Mortgagees and Qualified Subtenants hereunder), nor shall Landlord accept a surrender of this Lease. Without the prior consent of each Leasehold Mortgagee, which consent shall not be unreasonably withheld or delayed, this Lease shall not be amended in any way that affects the interests of such Qualified Fee Mortgagee or such Leasehold Mortgagee. Without the prior consent of the Qualified Fee Mortgagee, Landlord and Tenant shall not terminate, surrender, amend, modify or extend this Lease (other than pursuant to Tenant's exercise of the Purchase Option, which purchase, as provided in this Lease, shall not merge the estates hereunder or terminate the rights of subtenants or Leasehold Mortgagees without their prior written consent), nor shall Landlord grant to Tenant any waivers, extensions of time or deferrals.

(h) LANDLORD'S DEALINGS WITH TENANT. No provision of any Leasehold Mortgage or of any other document evidencing or securing the loan secured by such Leasehold Mortgage shall be notice, constructive or otherwise, of any restriction on the rights or powers of Tenant to deal with Landlord, and, except as specifically provided in this Lease, Landlord shall have the right to deal with Tenant in the same manner as if such Leasehold Mortgage or other document had not been entered into.

#### Section 25. SUBLETTING.

(a) Tenant shall have the right to sublet the Premises only in accordance with this Section 25. Tenant shall have the right to sublet the Premises, provided that (i) Tenant may not sublet to a governmental or quasi-governmental bureau, department or agency, foreign or domestic, including an autonomous governmental corporation or diplomatic or trade mission, or any other person or entity entitled to diplomatic or sovereign immunity, (ii) a sublease of all or substantially all of the Premises shall be for actual occupancy by the subtenant and (iii) if such sublease occurs during a time when the Basic Term Loan or any substitute Basic Term Loan is outstanding, the Qualified Fee Mortgagee (acting in accordance with the Basic Term Loan Documents) shall have consented to such subletting. In no event shall Landlord be required to



give its consent to any subletting unless and until the Qualified Fee Mortgagee shall have consented thereto.

(b) Tenant shall cause each sublease to provide that:

(i) such sublease shall be subject to this Lease, the rights of Landlord under this Lease, and any modifications and extensions of this Lease that are not inconsistent with subtenant's rights as set out hereunder;

(ii) the term of such sublease shall expire no later than October 3, 2041, unless the continuation of the term beyond that date is conditioned on Tenant's having exercised the Purchase Option pursuant to this Lease;

(iii) if this Lease is terminated for any reason whatsoever (including an uncured Event of Default by Tenant) other than a Total Taking followed by Tenant's election to terminate, then, and immediately prior to such termination such sublease shall be in effect, such sublease shall, if the sublease is a one recognized or required to be recognized as a Qualified Sublease or shall at Landlord's election if not so recognized or required to be recognized, become a lease of the space covered thereby between Landlord and the subtenant upon the terms and conditions set forth in such sublease, provided that Landlord's liability and that of its partners, directors, officers and shareholders, if any, under such lease shall be subject to the limitations in Section 35 and Landlord shall not be (A) liable for any act or omission of the sublessor prior to such termination, (B) subject to offsets, defenses or counterclaims which such subtenant may have had against the sublessor, (C) bound by any covenant to undertake or complete any construction on the premises demised by such sublease, (D) bound by any obligation to make any payment to such subtenant or (E) bound by payments by such subtenant of rent for more than one month in advance of the due date provided in such sublease, security deposits or amounts in the nature of additional rent, such as payments of taxes and operating expenses, unless Tenant delivers such amounts to Landlord; and

(iv) the parties to such sublease shall not enter into a modification of such sublease that does not comply with this Section 25.

(c) Not later than 30 days after the end of each calendar year, Tenant shall deliver to Landlord (i) a rent roll with respect to the Premises, setting forth at least the name of each subtenant, the date of its sublease, the space sublet, the term of its sublease, the fixed and any percentage rent payable under such sublease, any options of such subtenant to extend, expand, contract or buy, and any unpaid obligations of Tenant to any broker, agent or finder in respect of such sublease, and (ii) a certificate of Tenant, signed by an authorized partner or officer, to the effect that all subleases then in effect comply with the provisions of this Section 25 relating thereto. Upon request of Landlord from time to time, Tenant shall deliver to Landlord a correct and complete copy of each sublease of the Premises not theretofore delivered to Landlord

(d) If this Lease is terminated for any reason whatsoever (including an uncured Event of Default by Tenant) other than by Tenant's exercise of the Option to Purchase or by a Total Taking followed by Tenant's election to terminate, then, notwithstanding anything to the

contrary contained in Section 29, Landlord shall recognize and give effect to each sublease then in effect which is not in default beyond any applicable notice or grace period thereunder, provided that (i) such sublease complies with Section 25, (ii) such subtenant shall have received a written agreement to recognize it from the Qualified Fee Mortgagee, (iii) each applicable Leasehold Mortgagee is an Institutional Lender and shall have entered into a written non-disturbance agreement with the subtenant under such sublease, providing in substance that such Leasehold Mortgagee shall not join such subtenant as a party defendant in any foreclosure action or proceeding instituted by such Leasehold Mortgagee and shall not evict such subtenant (except in the case of default under such sublease) in the event of foreclosure or the exercise of a power of sale by such Leasehold Mortgagee, which agreement shall then be in effect and an executed copy of which shall have been delivered to Landlord, (iv) such sublease was on market terms as of the date of its execution, (v) the subtenant has a net worth of at least \$50,000,000 in Current Dollars or subtenant's guarantor is creditworthy in relation to the sublease obligations and (vi) such sublease is for at least 50,000 square feet.

(e) As further security for Tenant's performance of its obligations hereunder, Tenant hereby assigns to Landlord, subject to any prior rights therein of the Qualified Fee Mortgagee and the First Leasehold Mortgagee, all of Tenant's right, title and interest in and to all subleases of the Premises, all rent and other sums payable thereunder and all cash or instruments deposited with Tenant pursuant to such subleases, provided that such assignment shall become operative and effective only if (i) an Event of Default shall occur (ii) this Lease shall terminate, or (iii) Landlord shall re-enter the Premises after an Event of Default pursuant to the terms of this Lease by legal proceedings or otherwise, but in each case only as to such of the subleases as Landlord is obligated to recognize or elects to recognize under this Section 25. Such assignment shall be subject to any assignment of subleases and rents given as collateral security to (i) a Qualified Fee Mortgagee and (ii) the First Leasehold Mortgagee so long as such Leasehold Mortgagee shall have given Landlord notice that such Leasehold Mortgagee intends to exercise its rights under Section 24(d), shall be exercising such rights with diligence and continuity and shall apply any rents so assigned to the payment of any sums due to Landlord under this Lease prior to applying the same to payments of debt service due on the obligations secured by its Leasehold Mortgage. Tenant shall not make any assignment of subleases or the rents thereunder to any person other than a Leasehold Mortgagee or a permitted assignee of this Lease. No collection of rent by Landlord from a subtenant shall constitute a waiver of any default hereunder or any Event of Default or an acceptance of the subtenant as a tenant or a release of Tenant from any of its obligations hereunder. For so long as Svenska Handelsbanken AB (publ) is the Qualified Fee Mortgagee, Tenant shall not assign to the First Leasehold Mortgagee Tenant's right, title and interest in and to any sublease of the Premises or the rents thereunder.

(f) Landlord's action and review consistent with this Section 25, and of any request by Tenant to recognize any Sublease shall be at No Cost to Landlord.

#### Section 26. ADVANCES BY LANDLORD.

If Tenant fails to make or perform any payment or act on its part to be made or performed under this Lease, Landlord may, at any time upon expiration of the applicable notice and cure period and without notice in case of an emergency make such payment or perform such act for the account of Tenant. The making of such payment or the performance of such act shall not be

deemed a waiver of any default or a release of Tenant from any obligation. All sums so paid by Landlord and all necessary and incidental costs (including attorneys' fees and the allocable direct and indirect cost of Landlord's employees) incurred in connection with the performance of any such act by Landlord, together with interest at the Involuntary Rate from the date of the making of such payment or of the incurring of such costs by Landlord, shall be payable by Tenant to Landlord, on demand.

Section 27. PERMITTED CONTESTS.

(a) Tenant, or, if applicable, subtenant(s) or the First Leasehold Mortgagee acting in Tenant's behalf, may contest, by appropriate legal proceedings conducted in good faith and with diligence and continuity as provided in this Section 27, the amount, validity or application, in whole or in part, of any Imposition or Lien therefor, any materialmen's, mechanics', workmen's, repairmen's, carriers', warehousemen's or other like Lien, or any Applicable Law, Governmental Action or Insurance Requirement, provided that (i) no Event of Default shall have occurred and be continuing beyond the expiration of any applicable notice and cure period, (ii) such proceedings do not (A) involve any material danger of the sale, forfeiture or loss of the Premises, (B) interfere with the disposition of the Premises under this Lease, or (C) interfere with the payment of Rent, (iii) in the case of Impositions or Liens therefor, Tenant shall pay or cause the payment of such Impositions before delinquency (unless (A) payment would operate as a bar to such contest and (B) that unless Tenant has a net worth of \$50,000,000 or more in Current Dollars, Tenant has provided evidence reasonably satisfactory to Landlord that it has funds sufficient to pay, or that Tenant has deposited or caused the deposit with Landlord (or, if required by the Qualified Fee Mortgagee or the First Leasehold Mortgagee, with the Depositary) a sum sufficient, in Landlord's judgment, to fully pay the taxes and (C) neither the Premises nor any part thereof would by reason of such postponement or deferment be subject to forfeiture or the imposition of any penalty or other liability on Landlord that would not be paid or reimbursed by Tenant), (iv) in the case of an Applicable Law or Governmental Action, Landlord shall not be in any danger of any criminal liability or civil liability that would not be paid or reimbursed by Tenant for failure to comply therewith, the Premises shall not be subject to the imposition of any Lien other than a Permitted Lien as a result of such noncompliance other than liens for Impositions being contested thereby, and the ultimate imposition of or compliance with such Applicable Law or Governmental Action shall not extend beyond the last day of the Term (v) unless Tenant has a net worth of \$50,000,000 or more in Current Dollars, Tenant has provided evidence reasonably satisfactory to Landlord that it has funds sufficient to pay, or, in the alternative, Tenant shall have furnished to Landlord, if requested by Landlord, a bond or other security satisfactory to Landlord to assure payment of or compliance with the matter being contested and (vi) Tenant shall have provided Landlord with evidence of any consent to such contest required pursuant to the Basic Term Loan Documents of the Extended Term Loan Documents, as applicable. If, under Applicable Laws then in effect, such proceedings must be brought in the name of Landlord, Landlord shall, at Tenant's cost, join in such proceedings, execute documents required in connection therewith and otherwise cooperate with Tenant and/or subtenant(s) in the conduct of such proceedings.

(b) Tenant shall provide Landlord and the Qualified Fee Mortgagee with prior notice in reasonable detail of any contest it proposes to make pursuant to Section 27(a).

(c) Each contest permitted under Section 27(a) shall be promptly prosecuted to a final conclusion, and Tenant shall pay or indemnify, hold harmless and defend Landlord and the Qualified Fee Mortgagee from and against all loss, liability, damage, litigation, sums paid in settlement of any of the foregoing and cost (including attorneys' fees) in connection therewith, and shall promptly after the final termination of such contest pay and discharge the amounts which shall be levied, assessed or imposed or determined to be payable therein, together with all penalties, fines, interest and costs thereon or in connection therewith.

(d) If Tenant shall not contest the assessed valuation of the Premises within 30 days of the last day to file an application to do so, Landlord shall have the right to do so. Any refund received as a result of a contest of the assessed valuation of the Premises by either Landlord or Tenant shall be paid to the party which paid the Taxes.

Section 28. CONDITIONAL LIMITATIONS; DEFAULT PROVISIONS.

Any of the following occurrences or acts shall constitute an "Event of Default" under this Lease:

(a) if Tenant fails to make any payment of Rent and such failure continues for 10 days after Landlord has given Tenant notice specifying such default, or

(b) if Tenant fails to maintain any insurance required to be maintained by Tenant under Section 21 and such failure continues for 10 days after Landlord has given Tenant notice specifying such default, or -----

(c) if the insurance maintained fails to comply with Section 21, or any Lien that is not a Permitted Lien continues to exist for 20 days from the earlier of (A) the date on which Landlord gives Tenant notice of the existence of such Lien and (B) the date on which Tenant otherwise acquires knowledge of the existence of such Lien, or Tenant shall sublet the Premises or make an assignment of Tenant's interest under this Lease except in accordance with the applicable provisions of this Lease, or

(d) if Tenant fails to perform or observe any other covenant or condition to be performed or observed by Tenant under this Lease and such failure continues for 30 days after Landlord has given Tenant notice specifying such failure, or if such failure cannot be cured by the payment of money and cannot with due diligence be cured within such 30-day period because of the nature of the default or Unavoidable Delay(s) and cure after such period shall not subject Landlord to the risk of criminal liability, if Tenant fails to proceed promptly to cure such failure and thereafter complete the curing of such failure with diligence and continuity and in any event within 180 days after the giving of such notice,

(e) if an Event of Insolvency shall occur, or

(f) any act or omission of Tenant which causes a default beyond applicable notice grace and cure periods, if any, any, under the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable (provided that Landlord shall give Tenant notice thereof promptly upon Landlord's receipt of such notice, if any, from the Qualified Fee Mortgagee and

permit Tenant the opportunity to cure same to the extent of Landlord's rights of cure under the Basic Term Loan Documents or Extended Term Loan Documents, as applicable),

then, in any such case, Landlord shall, in addition to any other remedies available to it at law or in equity, but subject to the rights of certain mortgagees and subtenants as set out in other provisions of this Lease be entitled to give Tenant a notice of intention to end the Term at the expiration of five days from the date of the giving of such notice, and, if such notice is given, this Lease and the Term and estate hereby granted shall terminate on the expiration of such five-day period with the same effect as if the last day of such period was the date provided in Section 4 for the expiration of the Term, but Tenant shall remain liable for damages as provided herein or pursuant to law.

Section 29. REMEDIES OF LANDLORD; WAIVERS.

(a) Subject to the provisions of this Lease, if (i) Tenant defaults in the making of any payment of Rent and such default continues for 10 days after Landlord gives Tenant a notice specifying such default, (ii) a default of the type described in Section 28(f) shall occur or (iii) this Lease shall terminate as provided in Section 28, Landlord or its agents and employees may immediately or at any time thereafter re-enter the Premises, either by summary dispossession proceedings or by any suitable action or proceeding at law or otherwise, without being liable to indictment, prosecution or damages therefor, and may repossess the same and may remove any persons therefrom, to the end that Landlord may have, hold and enjoy the Premises again as its first estate and interest therein. Landlord may complete any construction required to be completed by Tenant hereunder and may relet the Premises for any period, to any person and for any use or purpose and in that connection make any alterations to the Premises it deems advisable, but shall not have any obligation to relet or attempt to relet the Premises or to make any such alterations or to collect rent after reletting. Tenant shall remain liable for all obligations of Tenant hereunder even after eviction or abandonment.

(b) If this Lease is subject to termination or shall terminate as provided in Section 28 and if Tenant does not then exercise the Purchase Option and pay any amounts required pursuant to Section 6(b)(iii) by reason of such early exercise of the Purchase Option (which Tenant may do, notwithstanding the dates set forth in Section 46, provided that such exercise occurs during the Basic Term and Tenant shall also cure any defaults under this Lease before, by means of or simultaneously with the closing of title pursuant to the Purchase Option), Tenant shall forthwith pay to Landlord (or, for so long as Svenska Handelsbanken AB (publ) is the Qualified Fee Mortgagee, Escrow Agent) the amount of the unpaid Rent payable by Tenant up to the time of such termination or re-entry plus the Loan Retirement Amount plus \$7,000,000. Action(s) for the recovery of any such amounts payable by Tenant may be brought by Landlord from time to time at its election, and Landlord shall not be required to delay any such action until the date this Lease would have expired but for such termination.

(c) Landlord shall be entitled, to the extent permitted by Applicable Laws then in effect, to injunctive relief in case of the breach or attempted or threatened breach, of any covenant or condition of this Lease or to a decree compelling performance or observance of any covenant or condition of this Lease, and to any other appropriate equitable relief.

(d) No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity. Nothing in this Lease shall be construed to limit the right of Landlord to prove for and obtain as liquidated damages by reason of the termination of this Lease or re-entry on the Premises for the default of Tenant, an amount equal to the maximum allowed by any Applicable Law in effect at the time such damages are to be proved, whether or not such amount is greater or less than or equal to any damages provided for herein.

(e) Tenant hereby waives and surrenders, for itself and all those claiming under it, (i) any right or privilege which it or any of them may have under Applicable Law in effect from time to time to redeem the Premises or to have a continuance of this Lease after termination by Landlord, unless such right or privilege shall have been specifically set forth in this Lease, (ii) the benefits of any Applicable Law in effect from time to time to the extent it exempts the Premises from liability for debt or for distress for rent or affects or regulates or attempts to affect or regulate the Rent or permits Tenant or any subtenant to remain in possession of the Premises beyond the date of termination of this Lease or of its sublease, as the case may be and (iii) any right or privilege which it or any of them may have under Applicable Law in effect from time to time to raise any defenses to a deed in lieu of foreclosure from Landlord to the Qualified Fee Mortgagee.

(f) The failure of Landlord to insist at any time upon the strict performance or observance of any covenant or condition or to exercise any right, power or remedy under this Lease shall not be construed as a waiver or relinquishment thereof for the future.

(g) No receipt of monies by Landlord from Tenant after termination of this Lease or re-entry by Landlord shall reinstate or continue the Term or affect any notice theretofore given to Tenant, or operate as a waiver of the right of Landlord to enforce the payment of Rent then or thereafter due, or operate as a waiver of the right of Landlord to recover possession of the Premises by proper remedy. Before or after such termination or re-entry, Landlord may demand and receive any monies due without in any manner affecting such termination or re-entry or any notice or proceeding in connection therewith, and all such monies received shall be deemed payments on account of the use and occupation of the Premises or, at the election of Landlord, on account of Tenant's liability hereunder. The receipt by Landlord of any Rent under this Lease with knowledge of the breach of any covenant or condition in this Lease shall not be deemed a waiver of such breach. Any amounts paid by Tenant to Landlord may be applied by Landlord, in its sole discretion, to any items then owing by Tenant to Landlord under this Lease, and receipt of a partial payment shall not be deemed to be an accord and satisfaction or waiver of the failure to make full payment.

(h) Tenant shall be liable for all attorneys' fees and other costs (including breakage fees, funding losses and "make whole" fees) imposed upon Landlord under the Basic Term Loan Documents or Extended Term Loan Documents, as applicable, by reason of the occurrence of any Event of Default (unless such default is due solely to acts or omissions of Landlord or its Affiliates) or the exercise of remedies with respect thereto and for all costs incurred in connection with the return of the Premises to the condition required by and otherwise in accordance with Section 9, as if the Premises were being returned at the end of the Term. If Landlord,

without fault on its part, is made a party to any litigation commenced against Tenant and if Tenant does not provide Landlord with counsel satisfactory to Landlord, Tenant shall pay all attorneys' fees and costs incurred or paid by Landlord in connection with such litigation.

(i) Landlord shall not be limited in the proof of any damages which Landlord may claim against Tenant arising out of Tenant's failure to provide and keep insurance in force as provided in this Lease to the amount of the insurance premium or premiums not paid, but Landlord also shall be entitled to recover, as damages for such breach, the uninsured amount of any loss and Landlord's costs, including attorneys' fees, suffered or incurred by reason of damage to or destruction of the Premises.

Section 30. QUIET ENJOYMENT.

(a) Landlord covenants that so long as Tenant shall pay the Rent and shall perform and observe all material covenants and conditions to be performed or observed by Tenant under this Lease, and subject to the condition of the Premises and matters of title existing on the date of this Lease, all Liens and the Qualified Fee Mortgage and all Applicable Laws, Governmental Actions and Insurance Requirements now or hereafter in effect (subject to the right to contest the same pursuant to Section 27), Tenant shall and may peaceably and quietly have, hold and enjoy the Premises for the term free of interference from Landlord or those claiming through or under Landlord.

(b) This Lease is intended to be recorded after, and in all cases shall be subject and subordinate to, the Qualified Fee Mortgage

Section 31. CERTIFICATES.

(a) Each party shall, from time to time upon not less than 20 days' prior request by the other party, deliver to the requesting party or any prospective transferee or mortgagee of the requesting party a certificate, executed and acknowledged by an authorized partner or officer of the certifying party and dated currently, with respect to the following items: (i) the amount of the rent due, if any, (ii) whether or not this Lease is unmodified and in full force and effect (or if there have been modifications, whether or not the same are in full force and effect as modified and identifying the modifications), (iii) whether or not, the certifying party's actual knowledge, the requesting party is in default and specifying the nature of any such default and (iv) such other matters as the requesting party may have reasonably requested.

(b) Any provision of this Lease which requires the certification of the existence or nonexistence of any particular fact implies as a condition the existence or nonexistence, as the case may be, of such fact, and Landlord or Tenant, upon receipt of any such certification from the other, shall be free to establish to its satisfaction the existence or nonexistence of any such fact.

Section 32. CONSENTS, APPROVALS, ETC.

(a) Subject to any provision to the contrary in this Lease, whenever the consent or approval of a party to this Lease is required under any provision of this Lease or a matter is subject to the satisfaction, judgment or determination of a party under any provision of this Lease, such party shall not unreasonably withhold such consent or approval and shall not be unreasonable in deciding whether such matter is satisfactory or in making such judgment or determination, provided that if the consent, approval, satisfaction, judgment or determination of Landlord is called for at a time when an Event of Default of the type described in Section 28(a), (b), or (c) has occurred and is continuing, Landlord shall have no obligation to act on the matter in question until the Event of Default has been remedied. Notwithstanding anything to the contrary contained in this Lease, in no event shall Landlord be obligated to give any consent, approval, satisfaction, judgment or determination unless and until the Qualified Fee Mortgagee shall have given such consent, approval, satisfaction, judgment or determination, to the extent required under the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable.

(b) If, pursuant to Section 32(a), Landlord is prohibited from being unreasonable in connection with any consent, approval, satisfaction, judgment or determination and Landlord is found to have been unreasonable, such consent, approval, satisfaction, judgment or determination shall be deemed given or made and Tenant shall have no other remedy against Landlord in connection therewith.

Section 33. NOTICES, DEMANDS, ETC.

(a) All notices, demands, certificates, consents, approvals and other communications required or permitted to be given pursuant to this Lease shall be in writing and shall be deemed given or received when delivered in person, by courier or by confirmed facsimile transmission or five days after mailing by registered or certified United States mail, postage prepaid, and return receipt requested, addressed as follows:

If to Landlord:

ALX of Paramus LLC  
c/o Vornado Realty Trust  
210 Route 4 East  
Paramus, New Jersey 07652  
Attention: Vice President, Real Estate

with copies to:

Winston & Strawn  
200 Park Avenue  
New York, New York 10166  
Attention: Neil Underberg, Esq.

Svenska Handelsbanken AB (publ)  
153 East 53rd Street



37th Floor  
New York, New York 10022  
Attention: Mary Lundstrom

Sussman Sollis Ebin Tweedy & Wood, LLP  
767 Fifth Avenue, 8th Floor  
New York, New York 10153  
Attention: Robert F. Ebin, Esq.

If to Tenant:

IKEA Property, Inc.  
496 West Germantown Pike  
Plymouth Meeting, Pennsylvania 19462  
Attention: President

Marvin, Larsson, Henkin & Scheuritzel  
1500 Market Street, Centre Square West  
Suite 3510  
Philadelphia, Pennsylvania 19102  
Attention: David J. Larsson, Esq.

(b) Either party may, from time to time, by 10 days' prior notice to the other party, change any of its addresses or addressees.

(c) Tenant shall give prompt notice to the Qualified Fee Mortgagee (in the manner set forth in the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable) and Landlord of any defaults pursuant to this Lease by Landlord.

Section 34. Limitation on Landlord's Liability.

Tenant shall look solely to Landlord's interest in the Premises, including Rents, amounts held by or through the Depositary, Taking awards, for the recovery of any judgment against Landlord, and if Landlord is a partnership, its partners, whether general or limited, or if Landlord is a corporation, its directors, officers and shareholders, shall not be personally liable for any such judgment. The foregoing shall not limit any right of Tenant to obtain injunctive relief against Landlord or to maintain any suit for specific performance or other equitable relief.

Section 35. NO MERGER OF TITLE.

There shall be no merger of the leasehold estate hereby created with any other estate in the Premises, without the prior consent of all persons owning, or holding a security interest in, each such estate.

Section 36. Relationship of Parties.

Landlord does not, by entering into this Lease, become a partner or joint venturer of Tenant or a member of a joint enterprise with Tenant.

Section 37. SEPARABILITY.

Each covenant in this Lease shall be construed to be a separate and independent covenant, and the breach of any such covenant by one party shall not discharge or relieve the other from the obligation to perform its covenants. If any provision of this Lease or any application thereof is invalid or unenforceable, the remainder of this Lease and any other application of such provision shall not be affected thereby. To the extent permitted by Applicable Law, Tenant hereby waives any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

Section 38. BROKERS.

Each party represents to the other that it has dealt with no broker, agent or finder in connection with the transactions contemplated by this Lease other than Staubach Retail Services and Fidelity Commercial Real Estate Alliance, Inc., for whose fees Tenant shall be responsible, and Gordon/Brandt LLC, for whose fees Landlord shall be responsible. Each party shall pay or indemnify, hold harmless and defend the other from and against all loss, liability, damage, litigation, sums paid in settlement of any of the foregoing and cost (including attorneys' fees) arising from any claim by any person that he acted on behalf of the indemnitor in connection with such transactions.

Section 39. ENTIRE AGREEMENT.

This Lease constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any prior oral or written agreement.

Section 40. AMENDMENTS.

Neither this Lease nor any of the terms hereof may be amended, modified or waived, nor may consent be given orally, but only by an instrument in writing signed by the party against which enforcement of the amendment, modification, waiver or consent is sought.

Section 41. RECORDING OF LEASE.

Promptly after the execution of this Lease, Landlord shall record this Lease and the Guaranty in the land records of Bergen County, New Jersey.

Section 42. RULES OF USAGE.

The following rules of usage shall apply to this Lease unless otherwise required by the context:

(a) Singular words include the plural and vice versa. All pronouns shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person(s) referred to may require.

(b) References to articles, sections, exhibits or schedules are references to articles, sections, exhibits or schedules of this Lease. The words "herein", "hereof" and "hereunder" and words of similar import shall be construed to refer to this Lease as a whole and not to any particular article, section, paragraph or subpart thereof unless expressly so stated.

(c) The headings, subheadings and table of contents used in this Lease are solely for convenience of reference and shall not constitute a part of this Lease nor shall they affect their meaning, construction or effect.

(d) References to any person shall include such person and its successors and permitted assigns and in the case of an individual, his or her heirs and legal representatives.

(e) Each of the parties and their counsel have reviewed and revised, or requested revisions to, this Lease, and the usual rule of construction that any ambiguities are to be resolved against the drafting party shall be inapplicable in the construction and interpretation of this Lease.

(f) Unless the contrary is required by an express provision or the context, each reference to "the Premises" shall be deemed a reference to "the Premises or any part thereof", each reference to "the Land" shall be deemed a reference to "the Land or any part thereof" and each reference to "the Improvements" shall be deemed a reference to "the Improvements or any part thereof".

(g) Any term defined by reference to an agreement, instrument or other document shall have the meaning so assigned to it whether or not such agreement, instrument or document is in effect.

(h) The words "include", "including" and "such as" shall each be construed as if followed by the phrase "without limitation".

(i) Any reference to Landlord's attorneys' fees shall mean Landlord's reasonable attorneys' fees, disbursements and other expenses incurred by Landlord, including those incurred in connection with any appellate proceedings.

(j) All references in this Lease to "licensed professional engineer" or "registered architect" mean a professional engineer or architect who is duly licensed or registered, as the case may be, by the state in which the Premises are located.

(k) The word "re-enter" as used herein is not restricted to its technical legal meaning.

(1) From and after the time that Svenska Handelsbanken (AB) publ is no longer the Qualified Fee Mortgagee, any references to the consent or approval of the Qualified Fee Mortgagee, or the conformity of acts or covenants with the terms of the Basic Term Loan Documents or the Extended Term Loan Documents shall be deemed deleted to the extent that such consent or approval, or conformity of acts or covenants is not required pursuant to any then-applicable Basic Term Loan Documents or Extended Term Loan Documents.

Section 43. GOVERNING LAW.

This Lease shall be governed by and construed in accordance with laws of the State of New Jersey.

Section 44. COUNTERPART EXECUTION.

This Lease may be executed in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Lease to produce or account for more than one such counterpart.

Section 45. ENVIRONMENTAL MATTERS.

(a) Tenant will obtain all approvals required under applicable Environmental Laws for its construction of improvements on, and use of, the Premises during the Term.

(b) Tenant shall cause the Premises to comply with all applicable Environmental Laws at all times during the Term.

(c) Tenant shall not accept, treat, transport, handle, store, dispose or remove any Contaminant except in compliance with all Environmental Laws, and Tenant shall not suffer, permit, or cause the Release or threatened Release of any Contaminant at, on, under, to, or from the Premises during the Term.

(d) Tenant shall not suffer, permit or cause the attachment of any environmental lien on the Premises, nor shall Tenant suffer, permit, allow, or cause the imposition of any engineering or institutional controls, including without limitation capping, deed notice, declaration of environmental restriction or other institutional control notice, without the prior written consent of Landlord.

(e) Tenant shall not cause, suffer or permit any of the following to be placed, stored, used or disposed of at the Premises: asbestos, materials containing asbestos, urea/formaldehyde, mono-or poly-chlorinated biphenyls or transformers, capacitors, ballasts or other equipment which contain dielectric fluid containing mono-or poly-chlorinated biphenyls, or paint or coating containing lead or mercury.

(f) Tenant shall be solely responsible for and shall comply with all requirements of all Environmental Laws and the requirements relating to Environmental Laws, hazardous materials and other environmental matters set forth in the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable, including any and all requirements that would, but for the agreement of Landlord and Tenant, apply to Landlord as owner and/or operator of the

Premises. If Tenant's operations or the operations of any subtenant, invitee, representative or agent or any other act, omission, event or condition on the Premises during the Term constitute an "Industrial Establishment" and subject the Premises to the requirements of ISRA, then in connection with (i) Tenant's closing operations or transferring ownership or operations of Tenant at the Premises (as defined under ISRA), (ii) the expiration or sooner termination of this Lease or any assignment of this Lease, (iii) any subletting of any portion of the Premises or (iv) or any other ISRA triggering event, Tenant shall, at its sole expense, comply with any and all applicable requirements of ISRA. Without limiting the foregoing two sentences, it is expressly understood and agreed that Tenant shall be solely responsible and liable for, and shall defend, indemnify and hold harmless Landlord and the Qualified Fee Mortgagee with respect to, compliance with any and all requirements under ISRA and any and all Environmental Laws arising out of or in connection with Tenant's purchase of the Premises or its exercise of the Purchase Option, or the planned or actual closing of, or transfer of operations at or from, the Premises, including but not limited to the submission of all necessary applications, reports, studies, and other filings, the investigation, assessment, and monitoring of operations and environmental conditions in, on, under or about the Premises or its environs, the planning and implementation of remedial actions and other cleanups, and payment of any and all costs in connection therewith, including but not limited to fees and costs of attorneys, consultants, contractors, laboratories, and doctors, governmental fees and costs of oversight, response, and enforcement, and penalties or fines. In addition, Tenant shall defend, indemnify and hold harmless Landlord for any loss, cost or expense incurred by Landlord pursuant to any indemnity regarding Environmental Laws, hazardous materials or environmental matters contained in the Basic Term Loan Documents or the Extended Term Loan Documents, including the Environmental Indemnity Agreement dated as of the date hereof between Landlord and Svenska Handelsbanken AB (publ). Tenant shall notify Landlord in advance of all meetings scheduled between Tenant or Tenant's representatives and NJDEP regarding Tenant's effort(s) to comply with ISRA, and Landlord and Landlord's representative shall have the right, without the obligation, to attend and participate in all such meetings.

(g) Within five business days after receiving actual or constructive notice thereof, Tenant shall notify Landlord of (i) any violation or alleged violation of any Environmental Law applicable to the Premises, (ii) any Release or threatened or suspected Release of any Contaminant, (iii) the use, generation, treatment, storage, transport or disposal of any Contaminant at, on, under, to or from the Premises in violation of Applicable Laws, (iv) any injury or threatened injury to human health or safety or the environment by reason of the matters set forth in clauses (i), (ii) or (iii) of this Section 45(g), (v) any revocation, expiration, termination or failure to obtain or renew any approval required under any Environmental Laws applicable to or required for the Premises or (vi) the closing or transfer of operations at, or the sale or transfer of the Premises which triggers any requirement or liability under ISRA. If Tenant receives any notice in connection with matters described in this Section 45(g) or if Landlord receives a request from a Qualified Fee Mortgagee for an environmental audit or investigation, Tenant shall immediately initiate, or cause to be initiated at No Cost to Landlord, such actions as may be necessary to comply in all respects with all applicable Environmental Laws and to alleviate any unreasonable risk to human health or the environment if the same arises from a condition on or in respect of the Premises or any part thereof, whether existing prior to, on or after the date of this Lease. Once Tenant commences such actions, Tenant shall thereafter diligently and expeditiously

proceed to comply materially and in a timely manner with all Environmental Laws and to eliminate any unreasonable risk to human health or the environment and shall, at the request of Landlord during the Term, give periodic progress reports on its compliance efforts and actions. If Tenant receives any notice in connection with matters described in this Section 45(g) or if Landlord receives a request from a Qualified Fee Mortgagee for an environmental audit or investigation, Landlord may require Tenant, at Tenant's sole expense, to cause an environmental audit or investigation of the Premises to be conducted by an environmental consultant satisfactory to Landlord and, if applicable, the Qualified Fee Mortgagee.

Section 46. PURCHASE OPTION.

(a) Provided that (i) Tenant shall not then be in continuing default in any of its covenants to be performed during the Basic Term past applicable notice and grace periods, (ii) Tenant shall cure any such defaults before, by means of or simultaneously with the closing of title pursuant to the Purchase Option or (iii) if such default(s) are not capable of cure before, by means of or simultaneously with such closing of title because they are not for a liquidated sum but Tenant provides Landlord with security acceptable to Landlord and the Qualified Fee Mortgagee, for the full payment and performance of the obligation(s) in default, Tenant shall have the option (the "Purchase Option") to buy the Premises by paying a the Purchase Option Price. The "Purchase Option Price" shall be equal to (i) \$75,000,000 plus (ii) all interest, late charges, fees, costs and expenses due and owing then due and owing under the Basic Term Loan Documents or the Extended Term Loan Documents, as applicable, less (iii) any reductions of the principal amount of the Basic Term Loan or the Extended Term Loan, as applicable, in connection with a condemnation or casualty, which purchase price shall be paid to or at the direction of Landlord. For so long as Svenska Handelsbanken AB (publ) is the Qualified Fee Mortgagee, Landlord hereby directs Tenant to pay the Purchase Option Price as follows: (A) the Loan Retirement Amount to the Qualified Fee Mortgagee and (B) \$7,000,000 to Landlord. Landlord shall promptly reimburse Tenant for any late fees, default interest or other charges paid by Tenant which resulted solely from the acts or omissions of Landlord, Manager or Landlord's Affiliates.

(b) The Purchase Option may be exercised by notice to Landlord at any time after October 3, 2020 but before September 4, 2021. The closing of the Purchase Option shall occur on October 4, 2021. Time shall be of the essence with respect to the dates set forth in this Section 46(b).

(c) If Landlord is unable or refuses to transfer the Premises in accordance with this Section 46, then Tenant shall have all rights and remedies available at law or in equity, including but not limited to the remedy of specific performance.

(d) At the closing of the Purchase Option, (i) the Premises shall be conveyed by Landlord to Tenant by an instrument in substantially the form of Exhibit A attached hereto, (ii) Landlord shall pay all realty transfer fees and taxes on the conveyance of the Premises and (iii) Tenant shall pay all title charges and premiums and the fees for recording the deed of the Premises. Title to the Premises shall be conveyed subject to such Permitted Liens as remain valid and effective and all other matters affecting title which shall have been agreed to or suffered through the acts or omissions of Tenant.

(e) If Tenant does not exercise the Purchase Option in accordance with this Section 46 or, having elected to exercise the Purchase Option, if Tenant fails to consummate the closing thereof pursuant to the terms and provisions hereof, the Purchase Option shall for all purposes be deemed cancelled and terminated.

Section 47. SPE COVENANTS. LANDLORD AGREES:

(a) That debt to the holder of the Qualified Fee Mortgagee is not enforceable personally against Landlord or Alexander's, Inc. ("Parent"), but only in rem as more fully set forth therein and in the note secured by the Qualified Fee Mortgage;

(b) That as of the date hereof, Landlord has no other debt (and no guaranty or inter-company obligation); that Parent has none with respect to Landlord and that there will be none after Closing;

(c) That Landlord has not and will not have any business activity other than its passive ownership of the Premises and will not own any other property;

(d) That Landlord will not merge with another entity or acquire any interest in other entities;

(e) That Landlord will not convey, pledge or enter into other agreements to share any beneficial interest in the Premises or its rents (other than pursuant to the Basic Term Loan or the Extended Term Loan);

(f) That Landlord will keep separate books and records, stationery and bank accounts;

(g) That the shares in Landlord shall be made non-transferable and not subject to any pledge; and that the certificates will be held by an escrow agent, with proxy and irrevocable voting powers (to the escrow holder or independent director) to vote same against any changes in the provisions of this Section 47 and to vote against filing any bankruptcy petition or insolvency proceeding hereafter for Landlord, and against dissolution, liquidation, consolidation or merger;

(h) That the provisions of this Section 47 have been incorporated into, and thereafter will be maintained in, the Operating Agreement for Landlord, with requisite authorization by Parent for same, and requiring unanimity/action of the escrow holder or independent director for any bankruptcy, dissolution, liquidation, merger, consolidation or change in the provisions set forth in this Section 47;

(i) That Landlord shall have no contracts other than arms-length agreements with unaffiliated providers of professional services;

(j) That Landlord shall not co-mingle assets with its Affiliates, and shall not use assets or proceeds to pay or guaranty any debts of Parent or Affiliates;

(k) That all Fixed Rent payable to Landlord be sent to a lockbox or Escrow Agent as the Qualified Fee Mortgagee shall specify in written direction or agreement with Landlord, from

which debt service shall be paid to Qualified Fee Mortgagee with the balance thereafter to Landlord to be used (i) to pay outstanding tax liabilities and professional fees of Landlord and (ii) thereafter either retained by Landlord or distributed as dividend to Parent; and

(1) The covenants contained in this Section 47 shall survive until one year after the earlier of the end of Term or exercise of the Purchase Option.

Section 48. Confidentiality. (a) Landlord acknowledges and agrees, for itself and its Affiliates, and its and their respective officers, employees, agents and professionals, that except as set forth in this Section 48, they will keep confidential all information regarding Tenant's interest in the Premises, its development plans and the specific terms of this Lease and related agreements, including Tenant's identity as IKEA Property, Inc. and its affiliation with other IKEA entities and operations. This confidentiality provision is a material inducement for Tenant to enter into this Lease. Disclosure by Landlord shall be limited to: (i) disclosures to Landlord's Affiliates, officers, employees, accountants, attorneys, lenders and auditors, provided that the parties receiving such disclosure shall be given a copy of and be bound by these confidentiality provisions; (ii) disclosures consented to in writing by Tenant or deemed consented to pursuant to Section 48(c); (iii) disclosures pursuant to demands under the authority of a government agency or court or otherwise required by Applicable Laws; (iv) disclosures required by securities laws; provided, however, that if this Lease transaction is required to be disclosed under securities laws, unless Applicable Laws shall require otherwise, such disclosure shall not identify Tenant by name and shall instead describe it as "a major retail tenant"; and (v) the recording contemplated by Section 41.

(a) Notwithstanding the provisions of Section 48(a), Tenant's identity may be disclosed and will be deemed to be public knowledge when Tenant has publicly announced its plans for the Premises or made a publicly-filed application for any development approvals relating to or at the Premises with the Borough of Paramus which identifies Tenant by name, or the recording contemplated by Section 41 occurs.

(b) Landlord (and Affiliates if applicable) shall give Tenant three business days' prior notice and a copy of any proposed public announcement or disclosure, provided that (i) Tenant shall not withhold its consent if such announcement or disclosure is in compliance with this Agreement; (ii) the provisions of this Section 48(c) shall not be applicable to any disclosure required by Applicable Laws; and (iii) if Tenant does not respond to any request for consent made pursuant to this Section 48(c) within three business days after receipt of Landlord's request therefor, Tenant shall be deemed to have consented thereto.



IN WITNESS WHEREOF, Landlord and Tenant have executed this instrument as of the date first set forth above.

ALX OF PARAMUS LLC

By: /s/ Joseph Macnow  
-----  
Name: Joseph Macnow  
Title: Executive Vice-President -  
Finance and Administration

IKEA PROPERTY, INC.

By: /s/ Michael McDonald  
-----  
Name: Michael McDonald  
Title: President

STATE OF NEW JERSEY) ) ss.:  
COUNTY OF BERGEN)

I certify that on October 3, 2001, Joseph Macnow personally came before me and acknowledged under oath, to my satisfaction, that he signed, sealed and delivered the attached document as the Executive Vice-President - Finance and Administration of ALX OF PARAMUS LLC named in this document, and this document was signed and made by the limited liability company as its voluntary act and deed by virtue of authority from its members.

-----  
Notary Public

COMMONWEALTH OF PENNSYLVANIA )  
 ) ss.:  
COUNTY OF MONTGOMERY )

I certify that on October \_\_, 2001, \_\_\_\_\_ personally came before me and acknowledged under oath, to my satisfaction, that he signed, sealed and delivered the attached document as the \_\_\_\_\_ of \_\_\_\_\_ named in this document, and this document was signed and made by the corporation as its voluntary act and deed by virtue of authority from its board of directors.

-----

Notary Public

Description of Land

Form of Deed

RECORD AND RETURN TO:

PREPARED BY:

-----

DEED

This Deed is made as of \_\_\_\_\_, 20\_\_ between ALX OF PARAMUS LLC, a Delaware limited liability company having an office at c/o Vornado Realty Trust, 210 Route 4 East, Paramus, New Jersey 07652, referred to as the Grantor, and IKEA PROPERTY, INC., a Delaware corporation, having an office at 496 West Germantown Pike, Plymouth Meeting, Pennsylvania 19462, referred to as the Grantee.

1. TRANSFER OF OWNERSHIP. The Grantor grants and conveys (transfers ownership of) the property (called the "Property") described below to Grantee. This transfer is made for the sum of SEVENTY-FIVE MILLION AND 00/100 (\$75,000,000) Dollars. The Grantor acknowledges receipt of this money.

2. TAX MAP REFERENCE. (N.J.S.A. 46:15-1.1) Borough of Paramus, Block 1202, Lot 1 and Block 1101, Lot 3.

[ ] No property tax identification number is available on the date of this Deed. (Check box if applicable.)

3. PROPERTY. The Property consists of the land conveyed in fee simple, subject to provisions below, and all the buildings and structures on the land in the Borough of Paramus, County of Bergen and State of New Jersey. The legal description is more particularly described by metes and bounds on Schedule A annexed hereto and made a part hereof.

The street address of the Property is: Route 4 and Route 17, Paramus, New Jersey.

PROMISES BY GRANTOR. The Grantor covenants that the Grantor has not done or suffered anything whereby the said premises have been encumbered in any way whatsoever, except as aforesaid. This promise is called a "covenant as to grantor's acts" (N.J.S.A. 46:4-6).

IN WITNESS WHEREOF the Grantor has duly executed this Deed the day and year first above written.

ALX OF PARAMUS LLC

By: -----  
Name:  
Title:

STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

I CERTIFY that on \_\_\_\_\_, 20\_\_, \_\_\_\_\_ personally came before me and stated to my satisfaction that this person (or if more than one, each person):

- (a) \_\_\_\_\_ was the maker of the attached Deed;
- (b) \_\_\_\_\_ was authorized to and did execute this Deed as \_\_\_\_\_ of ALX of Paramus LLC, the entity named in this Deed;
- (c) \_\_\_\_\_ made this Deed for \$75,000,000 as the full and actual consideration paid or to be paid for the transfer of title (such consideration is defined in N.J.S.A. 46:15-5); and
- (d) \_\_\_\_\_ executed this Deed as the act of the entity.

Signed and sworn to before me  
on \_\_\_\_\_, 20\_\_:

\_\_\_\_\_  
Notary Public

DEED

Dated: \_\_\_\_\_, 20\_\_

ALX OF PARAMUS LLC

Record and return to:

TO

Grantor

IKEA PROPERTY, INC.

Grantee





## EXHIBIT 12

## ALEXANDER'S, INC.

## CONSOLIDATED RATIOS OF EARNINGS TO FIXED CHARGES

(amounts in thousands except ratios)

|  | December 31,<br>2001<br>----- | December 31,<br>2000<br>----- | December 31,<br>1999<br>----- | December 31,<br>1998<br>----- | December 31,<br>1997<br>----- |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Earnings   | \$ 23,901                     | \$ 5,197                      | \$ 5,524                      | \$ (6,055)                    | \$ 7,466                      |
| Fixed charges (1)  | 22,608<br>-----               | 21,563<br>-----               | 17,786<br>-----               | 16,651<br>-----               | 13,749<br>-----               |
| Income from continuing operation<br>before income taxes and<br>fixed charges | \$ 46,509<br>=====            | \$ 26,760<br>=====            | \$ 23,310<br>=====            | \$ 10,596<br>=====            | \$ 21,215<br>=====            |
| Fixed charges:   |                               |                               |                               |                               |                               |
| Interest and debt expense  | \$ 22,469                     | \$ 21,424                     | \$ 17,647                     | \$ 16,541                     | \$ 13,639                     |
| 1/3 of rent expense - interest<br>factor                                     | 139<br>-----                  | 139<br>-----                  | 139<br>-----                  | 110<br>-----                  | 110<br>-----                  |
| Capitalized interest   | 22,608<br>19,259<br>-----     | 21,563<br>16,731<br>-----     | 17,786<br>9,352<br>-----      | 16,651<br>7,864<br>-----      | 13,749<br>9,079<br>-----      |
|  | \$ 41,867<br>=====            | \$ 38,294<br>=====            | \$ 27,138<br>=====            | \$ 24,515<br>=====            | \$ 22,828<br>=====            |
| Ratio of earnings to fixed charges   | 1.11                          | --                            | --                            | --                            | --                            |
| Deficiency in earnings available to<br>cover fixed charges                   | \$ --<br>=====                | \$(11,534)<br>=====           | \$ (3,828)<br>=====           | \$(13,919)<br>=====           | \$ (1,613)<br>=====           |

## Notes:

- (1) For purposes of this calculation, earnings before fixed charges consist of earnings plus fixed charges. Fixed charges consist of interest expense on all indebtedness (including amortization of debt issuance costs) from continuing operations and the portion of operating lease rental expense that is representative of the interest factor (deemed to be one-third of operating lease rentals).

EXHIBIT 21

ALEXANDER'S, INC.

SUBSIDIARIES OF REGISTRANT

Alexander's of Brooklyn, Inc.  
Alexander's of Fordham Road, Inc.  
Alexander's Kings, L.L.C.  
Alexander's Kings Plaza, L.L.C.  
Alexander's Paramus, L.L.C.  
Alexander's Rego Park Center, Inc.  
Alexander's of Rego Park, Inc.  
Alexander's of Rego Park II, Inc.  
Alexander's of Rego Park III, Inc.  
Alexander's of Third Avenue, Inc.  
Alexander's of Flushing, Inc.  
Alexander's Department Stores of New Jersey, Inc.  
Alexander's Department Stores of Lexington Avenue, Inc.  
Alexander's Department Stores of Brooklyn, Inc.  
U & F Realty Corp.  
ADMO Realty Corp.  
Kings Parking, L.L.C.  
Metropolitan Tower Takeover, L.L.C.  
Ownreal Inc.  
Sakraf Wine & Liquor Store, Inc.  
Alexander's Personnel Providers, Inc.  
Alexander's Rego Shopping Center Inc.  
Seven Thirty One Limited Partnership  
59th Street Corporation  
59th Street Subsidiary Corporation  
Alexander's Tower Operating LLC  
Alexander's Tower LLC

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation in Amendment No. 3 to Registration Statement No. 33-62779 on Form S-3 of our report dated March 11, 2002, appearing in this Annual Report on Form 10-K of Alexander's, Inc. for the year ended December 31, 2001.

Deloitte & Touche LLP  
Parsippany, New Jersey  
March 11, 2002