As filed with the Securities and Exchange Commission on March 26, 1997

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported) March 12, 1997

VORNADO REALTY TRUST
(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of Incorporation)

1-11954	22-1657560
(Commission File Number)	(IRS Employer Identification No.)

Park 80 West, Plaza II, Saddle Brook, New Jersey	07663
(Address of Principal Executive Offices)	(Zip Code)

(201) 587-1000
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Items 1-4. Not Applicable.

Item 5. Other Events.

The summary of the transaction contained herein (the "Mendik Transaction") does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of the various agreements filed as exhibits hereto and incorporated by reference herein. There can be no assurance that the Mendik Transaction will be completed.

On March 12, 1997, Vornado Realty Trust (the "Company"), a real estate investment trust ("REIT") organized under the laws of the state of Maryland, entered into a definitive agreement (the "Consolidation Agreement", a copy of which is attached as an exhibit hereto and is incorporated herein by reference) to acquire, through an operating partnership, interests in all or a portion of seven Manhattan office buildings (the "Mendik Properties") and certain management and leasing assets held by the Mendik Group (the "Mendik Group", which means as used herein, individually or collectively as the context may require, Bernard H. Mendik, David R. Greenbaum and the entities controlled by them, including Mendik Realty Company, Inc. and the subsidiaries and affiliates of such entities that own interests in certain partnerships (the "Mendik Property Partnerships") owning interests in certain of the Mendik Properties and certain of its affiliates (the "Partners" and, together with the Mendik Group, the "Mendik Partners"). Simultaneously with the closing of the Mendik Transaction (as defined below), and in connection therewith, the Company will convert to an Umbrella Partnership REIT ("UPREIT") by transferring (by contribution, merger or otherwise) all or substantially all of the interests in its properties and other assets to an operating partnership, currently named The Mendik Company, L.P., which will be renamed Vornado Realty L.P. following closing of the Mendik Transaction (the "Operating Partnership"), of which the Company will be the sole general partner. Following the consummation of the Mendik Transaction, the Company's activities as an UPREIT will be conducted through the Operating Partnership.

A copy of the Company's press release (the "Press Release") announcing the Mendik Transaction is attached as an exhibit hereto and is incorporated herein by reference. The Press Release and this Current Report on Form 8-K contain statements that 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"). Certain factors, as discussed herein, could cause actual results to differ materially from those in the forward- looking statements. Factors that might cause such a material difference include, but are not limited to (a) changes in the general economic climate, (b) local conditions such as an oversupply of space or a reduction in demand for real estate in the area, (c) conditions of tenants, (d) competition from other available space, (e) increased operating costs and interest expenses, (f) changes in taxation or zoning laws, (g) government regulations, (h) failure of the Company to continue to qualify as a REIT, (h) availability of financing on acceptable terms and (i) potential liability under environmental or other laws or regulations.

GENERAL

The current estimated consideration for the Mendik Transaction is approximately $654 million, including $269 million in cash, $168 million in the limited partnership units of the Operating Partnership and $217 million in indebtedness. When the Company and the Mendik Group reached an initial understanding regarding the basic terms with respect to the Mendik Transaction, the market price of the Company's Common Shares was $52 per share. This cash portion could increase by as much as $68 million with a corresponding decrease in the Operating Partnership Units being issued resulting from elections available to certain of the Mendik Partners.

The Company presently intends to finance most of the cash portion of the Mendik Transaction through a registered public offering and sale (the "Offering") of Series A Convertible Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share (the "Series A Preferred Shares") expected to occur early in the second quarter of 1997. The Company intends to contribute the net proceeds of the Offering, to the Operating Partnership concurrently with the closing of the Mendik Transaction in exchange for a number of preferred limited partnership units in the Operating Partnership (the "Preferred Units") equal to the number of Series A Preferred Shares sold. The Preferred Units will have a distribution preference equal to the distribution preference on the Series A Preferred Shares, will rank, as to distributions and upon liquidation, senior to the Class A, C, D and E units of the Operating Partnership and will automatically convert into Class A units of the Operating Partnership upon the conversion of the Series A Preferred Shares into Common Shares.

In addition, the Company has signed a commitment letter (the "Commitment Letter") with Union Bank of Switzerland ("UBS") pursuant to which UBS has agreed, upon consummation of the Mendik Transaction to provide the Operating Partnership a one-year bridge loan of $400 million in connection with the Mendik Transaction. A copy of the Commitment Letter is attached as an exhibit hereto and is incorporated herein by reference.

The Consolidation Agreement is subject to the consent of third parties, including the consent of the Mendik Partners, and other customary conditions. It is currently expected that the Mendik Transaction will be consummated in the second quarter of 1997, but there can be no assurance that the proposed transaction will be completed. The proposed offering of the Series A Preferred Shares is not conditioned on the consummation of the Mendik Transaction, nor is the Mendik Transaction conditioned on the sale of the Series A Preferred Shares. In the event the Mendik Transaction is not consummated, the net proceeds from the Offering will be used for general corporate purposes.

Bernard Mendik, the Chairman of the Board of Directors of Mendik Realty, will become Co-Chairman of the Board of Trustees and Chief Executive Officer of the Mendik Division of the Company. David Greenbaum will become President of the Mendik Division of the Company. Steven Roth continues as the Company's Chairman and Chief Executive Officer. Upon consummation of the Mendik Transaction, Mr. Roth, together with

Michael Fascitelli, the President of the Company, and Interstate Properties, a significant shareholder of the Company, will enter into a voting agreement (the "Voting Agreement", a copy of the form of which is attached as an exhibit hereto and is incorporated herein by reference) pursuant to which Messrs. Roth and Fascitelli and Interstate Properties will agree to vote any Common Shares of the Company they beneficially own in favor of the election of Mr. Mendik to the Board of Trustees of the Company at every meeting of the shareholders of the Company at which such matter is considered over the next six years.

OPERATING PARTNERSHIP

Upon the consummation of the Mendik Transaction, the Company will convert to an Umbrella Partnership REIT. As such, the Company generally will not own properties or conduct operations directly; instead, the Company's principal assets will consist of its interests in the Operating Partnership. The Company's properties and other assets will be owned, and its operations will be conducted, by the Operating Partnership and affiliates of the Operating Partnership. The Company will be the sole general partner of the Operating Partnership and initially will own approximately 90% of the limited partnership interests in the Operating Partnership (assuming that (i) the Mendik Partners elect to receive Units as opposed to cash, (ii) the payment of certain additional working capital to the Mendik Partners in connection with the closing is made in Units and (iii) no additional securities of the Company, including the Series A Preferred Shares, are issued between the date hereof and the closing of the Mendik Transaction) through the ownership of Class A Units, the terms of which substantially mirror the economic terms of the Company's outstanding Common Shares.

The Mendik Partners (other than the Mendik Group) who elect to receive Units instead of cash will receive a class of Units ("Class D Units" or "Class E Units") in the Operating Partnership which will entitle the holders thereof to a preferential annual distribution rate of $4.03 (7.75% of $52, the market price of the Common Shares at the time the Company and the Mendik Group reached an initial understanding regarding the basic business terms of the Mendik Transaction). The Mendik Group will receive a class of Units ("Class C Units") in the Operating Partnership which will entitle the holders thereof to a preferential annual distribution rate of $3.38 (6.5% of $52). Class C Units will automatically convert to Class A Units when the distributions paid to holders of Class A Units equals $.8450 per quarter ($3.38 annually) for four consecutive quarters following the consummation of the Mendik Transaction. Class D and Class E Units will automatically convert to Class A Units when the distributions paid to holders of Class A Units equals $1.0075 per quarter ($4.03 annually) for four consecutive quarters following the consummation of the Mendik Transaction.

At any time after a holding period of one year (or two years in the case of the majority of the Class C Unit holders) following the consummation of the Mendik Transaction, Class D and Class E Unit holders will have the right to have their Units redeemed in whole or in part by the Operating Partnership for cash equal to the fair market value, at the time of redemption, of one Common Share of the Company for each Unit redeemed or, at the option of the Company, one Common Share of the Company

for each Unit tendered, subject to customary anti-dilution provisions (the "Unit Redemption Right"). In addition to the foregoing, during the period from the 91st day after the Mendik Transaction until the first anniversary of the Mendik Transaction, holders of Class E Units will have the right to have redeemed their Class E Units for cash at a 6% discount from the fair market value at the time of the redemption of one Common Share of the Company for each Unit redeemed. Beginning one year following the consummation of the Mendik Transaction, holders of Units may be able to sell Common Shares received upon the exercise of their Unit Redemption Right in the public market pursuant to registration rights granted to such holders or available exemptions from registration. No prediction can be made about the effect that future sales of such Common Shares will have on the market price for Common Shares.

THE MENDIK PROPERTIES

Upon consummation of the Mendik Transaction, the Operating Partnership will succeed to ownership interests in seven midtown Manhattan office properties currently managed by the Mendik Group. The following table sets forth certain information with respect to the Mendik Properties as of December 31, 1996, except as to Two Penn Plaza for which the information is as of March 15, 1997:

PROPERTY	OPERATING PARTNERSHIP'S EXPECTED OWNERSHIP INTEREST	TOTAL RENTABLE SQUARE FEET(1)	PERCENT LEASED	ANNUAL RENT PER LEASED SQUARE FOOT(2)	SIGNIFICANT TENANTS(3)
Two Penn Plaza	100.0%	1,474,526	84.2%(4)	$27.99	Digital Equipment (12%) Information Builders, Inc. (12%)
Eleven Penn Plaza	100.0	956,280	95.5	27.64	Times Mirror (24%) General Mills (16%)
1740 Broadway (The MONY Building)	100.0	551,301	100.0	32.85	Mutual of New York (48%) William Douglas McAdams (11%)
866 United Nations Plaza	100.0	384,815	97.3	31.29	Bear Stearns (17%)
Two Park Avenue (5)	40.0	946,697	97.8	23.59	Times Mirror (30%) Smith Barney (11%)
330 Madison Avenue (5)	24.8	770,828	96.5	34.77	BDO Seidman (15%)
570 Lexington Avenue	5.6	433,342	33.5 (6)	29.38 (6)	(6)

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(1) Includes 158,123 square feet of retail space, 151,839 square feet of basement space and, at the 866 United Nations Plaza Property, 42,674 square feet of underground parking garage space.

(2) Represents annualized monthly base rent including tenant pass-throughs of operating expenses (exclusive of tenant electricity costs) and excludes rent for any tenant whose lease has not commenced.

(3) The percentage shown represents the tenant's percentage of square footage leased at the corresponding Mendik Property.

(4) The percent leased was 69.0% as of December 31, 1996, primarily as a result of the expiration on October 31, 1996 of a lease with respect to approximately 430,000 square feet. Since December 31, 1996, the Two Penn Property Partnership has entered into leases with respect to approximately 269,000 square feet of this space, although certain contingencies exist with respect to one lease for approximately 180,000 square feet of this space.

(5) Messrs. Mendik and Greenbaum and entities that they control will retain certain immaterial ownership interests with respect to these Mendik Properties.

(6) 570 Lexington Avenue was acquired in 1994 with substantially all of the building unoccupied. The building has been substantially redeveloped and currently is being leased.

THE MANAGEMENT ENTITIES

In addition to interests in the Mendik Properties, the Operating Partnership will acquire all of the interest in the office management and leasing business currently conducted by the Mendik Group for the four wholly-owned Mendik Properties and substantially all of the economic interest and none of the voting interest in the office management and leasing business for (i) the other three Mendik Properties which are partially owned; and (ii) the other properties currently serviced by the Mendik Group's management and leasing business. All of the voting interest and the balance of the economic interest not acquired by the operating partnership will be owned by Messrs. Mendik, Greenbaum and Fascitelli.

CONDITIONS TO THE CLOSING OF THE MENDIK TRANSACTION

Certain conditions must be satisfied or waived in order for the closing of the Mendik Transaction (the "Closing") to be consummated, including the following: (i) all of the Mendik Property Partnerships must participate in the Mendik Transaction; (ii) with respect to any particular Mendik Property Partnership, the Mendik Transaction must be approved by the Mendik Partners (including the Mendik Group) holding the requisite percentage of the outstanding partnership interests in such Mendik Property Partnership (which requisite percentage is not identical for all Mendik Property Partnerships); (iii) the Mendik Transaction will not be completed unless the closings of the certain other transactions with certain limited partners and certain other parties set forth in the Consolidation Agreement have occurred or will occur concurrently with the Closing; (iv) the Financing Transactions (as defined below) must be consummated; (v) all required consents of third parties must be obtained or waived; and (vi) the Mendik Transaction must be consummated on or before June 30, 1997.

In addition to the closing conditions set forth above, consummation of the Mendik Transaction is subject to other customary closing conditions such as the accuracy of certain representations and warranties contained in the Consolidation Agreement, the delivery of certain opinions and the absence of any restraining orders or injunctions prohibiting the Closing.

THE FINANCING TRANSACTIONS

Simultaneously with the consummation of the Mendik Transaction, the Operating Partnership (or the relevant Mendik Property-owning entity, as applicable) intends to consummate the following financing transactions: (i) the partial repayment of approximately $110 million of existing indebtedness secured by the Two Penn Plaza, Eleven Penn Plaza and 866 United Nations Plaza Properties; (ii) the refinancing of approximately $80 million of existing indebtedness secured by the Two Penn Plaza Property; (iii) the refinancing of approximately $55 million of existing indebtedness secured by the Eleven Penn Plaza Property; (iv) the refinancing of approximately $33 million of existing indebtedness secured by the 866 United Nations Plaza Property; and (v) the refinancing of approximately $65 million of existing indebtedness secured by the Two Park Avenue Property (collectively, the "Financing Transactions"). If the Mendik Transaction is consummated, all future issuances of debt will be at the Operating Partnership level.

OPERATING PARTNERSHIP UNITS

The Units constitute equity interests entitling each limited partner in the Operating Partnership to his or her pro rata share of cash distributions in accordance with the class preferences provided for in the Operating Partnership's partnership agreement (the "Partnership Agreement", a copy of the form of which is attached as an exhibit hereto and is incorporated herein by reference). Holders of Units will have the rights to which limited partners are entitled under the Partnership Agreement and the Delaware Revised Uniform Limited Partnership Act (the "Delaware Partnership Act"). The Company does not intend to register the Units to be issued in the Mendik Transaction pursuant to any Federal or state securities laws, nor to list such Units on any exchange or national market system. The Partnership Agreement imposes certain restrictions on the transfer of Units.

DISTRIBUTIONS; ALLOCATIONS OF INCOME AND LOSS

The Partnership Agreement provides for distributions, as determined in the manner provided in the Partnership Agreement, to the Company and the limited partners in proportion to their percentage interest in the Operating Partnership, subject to the Initial Distribution Preferences. The Company, as general partner of the Operating Partnership, will have the exclusive right to declare and cause the Operating Partnership to make distributions as and when the Company deems appropriate or desirable in its sole discretion. For so long as the Company elects to qualify as a REIT, the Company will make reasonable efforts (as determined by it in its sole discretion) to make distributions to partners in amounts such that the Company will be able to pay shareholder dividends that will satisfy the requirements for qualification as a REIT and avoid any federal income or excise tax liability to the Company. The Partnership Agreement provides for the allocation to the general partner and the limited partners of items of Operating Partnership income and loss.

The value of each Unit issued in the Mendik Transaction regardless of its class will equate to one Common Share of the Company; however, Class C, Class D and Class E Units will have special priorities in the distributions paid by the Operating Partnership. The Partnership Agreement provides that the Operating Partnership (when declared by the Company) will make distributions in the order of preference provided for in the Partnership Agreement. The order of preference in the Partnership Agreement provides that distributions will be paid first to the Company as necessary to enable the Company to pay REIT Expenses (as defined below). Thereafter, distributions will be paid first to holders of limited partnership interests of any class ranking senior (as to distributions or redemption or voting rights) to Class C Units, Class D Units and Class E Units, if any are then outstanding. Distributions will be paid second to holders of Class D Units and Class E Units (pro rata based on the ratio of the total number of Class D Units or Class E Units, as applicable, to the aggregate number of Class D Units and Class E Units taken together on the relevant partnership record date) for any unpaid past cumulated distributions and then to holders of Class D and Class E Units a quarterly amount equal to $1.0075 per unit (an annual return of 7.75% of $52, the market price of the Common Shares at the time the Company and the Mendik Group reached an initial understanding regarding the basic business terms of the Mendik Transaction). Distributions are paid third to Class C Unit holders for any unpaid past cumulated distributions and then a quarterly amount equal to $.8450 per Unit (an annual return of 6.5% of $52). Class C Unit holders will also share in any distribution to Class A Unit holders above $.8450 per Unit, and Class D and Class E Unit holders will share in any distribution above $1.0075 per Unit.

Class C Units will automatically convert to Class A Units when the distributions paid to holders of Class A Units equals the per quarter distribution specified above for Class C Unit holders for four consecutive quarters following the Mendik Transaction. Class D and Class E Units will automatically convert to Class A Units when the distributions paid to holders of Class A Units equals the per quarter distribution specified above for Class D and Class E Unit holders for four consecutive quarters following the Mendik Transaction. Until such time as all Class C, Class D and Class E Units have been converted into Class A Units, the Partnership Agreement will prohibit the Operating Partnership from issuing any class of limited partnership interests ranking senior (as to distributions or redemption or voting rights) to Class C Units or Class D Units or Class E Units, unless either (1) such limited partnership interests are substantially similar to the terms of securities issued by the Company and the proceeds of the issuance of such securities have been contributed to the Operating Partnership or (2) the issuance of such limited partnership interests has been approved by the holders of a majority of the Class C, Class D and Class E Units issued in the Mendik Transaction and then outstanding (taken together as a group).

The Partnership Agreement defines "REIT Expenses" to mean (i) costs and expenses relating to the continuity of existence of the Company and any person in which the Company owns an equity interest, (ii) costs and expenses relating to any offer or registration of securities by the Company, (iii) costs and expenses associated with preparing and filing periodic reports of the Company under federal, state and local laws (including Securities and Exchange Commission filings), (iv) costs and expenses

associated with the Company's compliance with laws, rules and regulations applicable to it, and (v) all other operating or administrative expenses incurred by the Company in the ordinary course of its business.

If the Mendik Transaction and the Offering are consummated, the Series A Preferred Units of the Operating Partnership acquired by the Company (which represent the Series A Preferred Shares sold hereunder) will rank senior to the Class A, C, D and E Units issued in connection with the Mendik Transaction with respect to payment of dividends and amounts upon liquidation, dissolution or winding up of the Operating Partnership.

REDEMPTION OF UNITS

Subject to certain limitations, holders of Class C, D and E Units may exercise their Unit Redemption Right by providing notice to the Operating Partnership at any time beginning one year in the case of Class D and E Unit holders and two years in the case of the majority of the Class C Unit holders following consummation of the Mendik Transaction. Unless the Company elects to assume and perform the Operating Partnership's obligation with respect to the Unit Redemption Right, as described below, a redeeming limited partner will receive cash from the Operating Partnership in an amount equal to the market value of the Units to be redeemed. The market value of a Unit for this purpose will be equal to the average of the closing trading price of a Common Share on the NYSE for the ten trading days before the day on which the redemption notice was given. In lieu of the Operating Partnership's acquiring the Units for cash, the Company will have the right (except as described below, if the Common Shares are not publicly traded) to elect to acquire the Units directly from a limited partner exercising the Unit Redemption Right, in exchange for either cash or Common Shares, and, upon such acquisition, the Company will become the owner of such Units. Upon exercise of the Unit Redemption Right, the limited partner's right to receive distributions for the Units so redeemed or exchanged will cease. No redemption or exchange for Common Shares will occur if delivery of Common Shares would be prohibited either under the provisions of the Company's Declaration of Trust designed primarily to protect the Company's qualification as a REIT or under applicable Federal or state securities laws as long as the Common Shares are publicly traded.

In addition to the foregoing, during the period from the 91st day after the Mendik Transaction until the first anniversary of the Mendik Transaction holders of Class E Units will have the right to have redeemed their Class E Units for cash at a 6% discount from the fair market value at the time of redemption of one Common Share of the Company for each Unit redeemed.

CONFLICTS OF INTEREST

Messrs. Mendik and Greenbaum will continue to own direct and indirect managing general partner interests in two of the Mendik Properties (Two Park Avenue and 330 Madison Avenue), direct and indirect interests in numerous additional office properties and other real estate assets, and interests in certain property services

businesses, including in businesses which provide cleaning and related services, security services and facilities management services. These interests may give rise to certain conflicts of interest concerning the fulfillment of Mr. Mendik's responsibility as an officer and trustee of the Company and Mr. Greenbaum's responsibility as an officer of the Company. The Company will have an option to purchase at specified prices the Mendik Group's interests in certain other Manhattan office properties.

After the consummation of the Mendik Transaction, the Mendik Group will own an entity which will provide cleaning and related services and security services to the Mendik Properties acquired in the Mendik Transaction. Upon the consummation of the Mendik Transaction, the Company will enter into five-year, non-cancelable contracts with the Mendik Group to provide such services to the Mendik Properties in which the Operating Partnership will own a 100% interest. Although the Company believes that the terms and conditions of the contracts pursuant to which these services will be provided, taken as a whole, will not be less favorable to the Company than those which could have been obtained from a third party providing comparable services, there can be no assurance to this effect.

In addition, as described above, the Management Corporation (which will be controlled by Messrs. Mendik and Greenbaum and not by the Company) will provide management and leasing services to properties in which the Operating Partnership has less than a 100% interest as well as to other office properties (including several properties in which the Mendik Group has an interest but are not being included in the Mendik Transaction). Certain conflicts of interest may result from the Management Corporation providing leasing services both to properties in which the Operating Partnership has an interest and other properties in which the Mendik Group has an interest.

LEGAL PROCEEDINGS

On January 14, 1997, two individual investors in Mendik Real Estate Limited Partnership ("RELP"), the publicly held limited partnership that indirectly owns an effective 60% interest in the Two Park Avenue Property ("Two Park"), filed a purported class action suit against NY Real Estate Services I, Inc. ("NY Real Estate"), Mendik RELP Corp., B&B Park Avenue, L.P. (the entity that owns a 40% interest in Two Park and in which the Operating Partnership proposes to acquire all of the interests in the Mendik Transaction) and Mr. Mendik in the Supreme Court of the State of New York, County of New York, on behalf of all persons holding limited partnership interests in RELP. The complaint alleges that for reasons which include purported conflicts of interest, the defendants breached their fiduciary duty to the limited partners and that NY Real Estate and Mendik RELP Corp. also breached their contractual duty to the limited partners. The plaintiffs further allege that such a proposed transfer of the 40% interest in Two Park will result in a burden on the operation and management of Two Park since the purchaser of the 40% interest will have no fiduciary duty to RELP, yet all decisions regarding any proposed sale or refinancing of the property will require its consent, with the result that, among other things, the transfer will prevent RELP from negotiating for the sale of Two Park at better terms than a sale of only RELP's 60% interest. The complaint also alleges,

among other things, that the transfer of the 40% interest violates RELP's right of first refusal to purchase the interest being transferred and fails to provide limited partners in RELP with a comparable transfer opportunity.

Shortly after the filing of the complaint, another limited partner represented by the same attorneys filed an essentially identical complaint in the same court. Among other things, both complaints claim that the purported class has and will continue to suffer unspecified damages, and seek a declaration that the suits are properly class actions, an accounting and certain injunctive relief, including an injunction enjoining the transfer of the 40% interest and a judgment requiring either the liquidation of the partnership and the appointment of a receiver or an auction of Two Park. The time for defendants to respond to the complaints and to certain discovery requests has not yet expired. In the interim, plaintiff's counsel have requested an agreement to consolidate the two actions and have stated that they may seek to amend the complaints in unspecified ways, as well as to file a motion seeking a preliminary injunction.

The Mendik Group intends to vigorously defend against such actions.

DISSOLUTION, WINDING UP AND TERMINATION

The Operating Partnership will continue until December 31, 2095 (as such date may be extended by the Company in its discretion), unless sooner dissolved and terminated.

Item 6. Not Applicable.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial Statements of businesses acquired. Financial statements for the following entities are attached as Annexes A through F:

Annex	Financial Statements
A	Financial statements for the years ended December 31, 1996, 1995 and 1994 for Two Penn Plaza Associates L.P. (a Limited Partnership) (including independent auditors' report)
B	Combined financial statements for the years ended December 31, 1996, 1995 and 1994 for M Eleven Associates, M 393 Associates and Eleven Penn Plaza Company (General Partnerships) (including independent auditors' report)
C	Financial statements for the years ended December 31, 1996, 1995 and 1994 for 1740 Broadway Associates, L.P. (a Limited Partnership) (including independent auditors' report)
D	Financial statements for the years ended December 31, 1996, 1995 and 1994 for 866 U.N. Plaza Associates LLC (a Limited Liability Company) (including independent auditors' report)
E	Financial statements for the years ended December 31, 1996, 1995 and 1994 for Two Park Company (a New York general partnership) (including independent auditors' report)
F	Financial statements for the years ended December 31, 1996, 1995 and 1994 for B&B Park Avenue L.P. (a Limited Partnership) (including independent auditors' report)

(b) Pro Forma Financial Information. The following pro forma financial statements of the Company reflecting the Mendik Transaction are attached as Annex G:

Annex	Financial Statements
G	Condensed consolidated pro forma financial statements for the Company for the year ended December 31, 1996

(c) Exhibits Required by Item 601 of Regulation S-K.

Exhibit No.	Exhibit
2.1	Master Consolidation Agreement ("Master Consolidation Agreement"), dated March 12, 1997, among Vornado Realty Trust, Vornado/Saddle Brook L.L.C., The Mendik Company, L.P., and various parties defined therein (collectively as the Mendik Group). A list of omitted schedules, exhibits and annexes is attached as the last page to this exhibit. The Registrant agrees to furnish supplementallya copy of any omitted exhibit, schedule or annex to the Securities and Exchange Commission upon request.
2.1(a)	Mendik Structure Memorandum, included as Appendix A to the Master Consolidation Agreement
2.1(b)	Vornado Structure Memorandum, included as Appendix B to the Master Consolidation Agreement
2.1(c)	Form of Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., included as Exhibit G to the Master Consolidation Agreement
2.1(d)	Form of Voting Agreement between Steven Roth, Michael Fascitelli and Interstate Properties and Bernard Mendik, included as Exhibit J to the Master Consolidation Agreement
10.1	Commitment Letter, dated March 7, 1997, between Vornado Realty Trust and Union Bank of Switzerland (New York Branch) re: $400,000,000 one-year bridge loan

23.1 Consent, dated March 26, 1997, of Friedman, Alpren & Green, LLP, independent accountants for Two Penn Plaza Associates, L.P.

23.2 Consent, dated March 26, 1997, of Friedman, Alpren & Green, LLP, independent accountants for B&B Park Avenue L.P.

23.3 Consent, dated March 26, 1997, of Friedman, Alpren & Green, LLP, independent accountants for M Eleven Associates, M 393 Associates and Eleven Penn Plaza Company

23.4 Consent, dated March 26, 1997, of Friedman, Alpren & Green, LLP, independent accountants for 1740 Broadway Associates, L.P.

23.5 Consent, dated March 26, 1997, of Friedman, Alpren & Green, LLP, independent accountants for 866 U.N. Plaza Associates LLC

23.6 Consent, dated March 26, 1997, of KPMG Peat Marwick LLP, independent accountants for Two Park Company

99.1 Press Release, dated March 12, 1997, of Vornado Realty Trust, announcing its entry into a Master Consolidation Agreement with Vornado/Saddle Brook L.L.C., The Mendik Company, L.P., and various parties defined therein collectively as the Mendik Group

Item 8. Not Applicable.

SIGNATURES

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

VORNADO REALTY TRUST

Dated: March 26, 1997

By: /s/ Joseph Macnow

Joseph Macnow
Vice President --
Chief Financial Officer

INDEX TO ANNEXES

ANNEX A

TWO PENN PLAZA ASSOCIATES L.P.
(A LIMITED PARTNERSHIP)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

AND

INDEPENDENT AUDITORS' REPORT

TWO PENN PLAZA ASSOCIATES L.P.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

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FRIEDMAN
ALPREN &
GREEN LLP
CERTIFIED PUBLIC ACCOUNTANTS

1700 BROADWAY
NEW YORK, NY 10019
212-582-1600
FAX 212-265-4761

INDEPENDENT AUDITORS' REPORT

TO THE PARTNERS OF TWO PENN PLAZA ASSOCIATES L.P.

We have audited the accompanying balance sheet of TWO PENN PLAZA ASSOCIATES L.P. (a limited partnership) as of December 31, 1996 and 1995, and the related statements of income, cash flows and changes in partners' capital deficiency for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the managing general partner. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 the managing general partner, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TWO PENN PLAZA ASSOCIATES L.P. as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

As discussed in Note 4(a) to the financial statements, the financial statements as of December 31, 1995 and for the years ended December 31, 1995 and 1994 have been restated to reflect adjustments to water and sewer expense previously recorded entirely in 1995.

/s/ FRIEDMAN ALPREN & GREEN LLP

January 15, 1997, except for
Note 2, as to which the date
is March 12, 1997

TWO PENN PLAZA ASSOCIATES L.P.

BALANCE SHEET

DECEMBER 31, 1996 AND 1995

	1996	1995
ASSETS		
Property and improvements - at cost, less accumulated depreciation and amortization of $ $84,044,177 and $80,050,988 - Note 5	$ 40,249,466	$ 40,362,894
Cash and short-term investments	7,822,176	5,435,297
Investment in U.S. Treasury obligations - Note 4(e)	8,118,765	5,628,317
Receivables - Note 6	14,954,965	16,610,622
Prepaid leasing costs	3,089,007	3,047,294
Other prepayments	58,131	55,879
Mortgage costs	3,061,956	3,892,110
Tenants' security deposits (cash in bank and U.S. Treasury Bills)	773,859	807,929
	$ 78,128,325	$ 75,840,342
LIABILITIES AND PARTNERS' CAPITAL DEFICIENCY		
Liabilities		
Mortgages payable - Note 7	$ 159,100,000	$ 159,100,000
Accrued interest payable	839,805	2,503,874
Accounts payable and accrued expenses	1,418,962	915,259
Improvements payable	181,542	121,008
Deferred income	179,885	150,190
Tenants' security deposits payable	866,659	900,729
	162,586,853	163,691,060
Commitments - Notes 7 and 10	--	--
Partners' capital deficiency	(84,458,528)	(87,850,718)
	$ 78,128,325	$ 75,840,342

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

TWO PENN PLAZA ASSOCIATES L.P.

STATEMENT OF INCOME

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	1996	1995	1994
Revenues			
Rental income	$41,885,873	$43,350,856	$43,067,969
Interest	560,595	438,668	334,670
	42,446,468	43,789,524	43,402,639
Expenses			
Renting	79,104	123,260	174,830
Administrative	951,479	1,283,034	1,159,659
Operating	12,347,504	12,815,854	12,651,141
Real estate taxes	8,081,435	8,612,906	8,463,386
	21,459,522	22,835,054	22,449,016
Income before interest expense and depreciation and amortization	20,986,946	20,954,470	20,953,623
Interest expense	11,932,302	11,982,814	11,840,999
Income before depreciation and amortization	9,054,644	8,971,656	9,112,624
Depreciation and amortization	5,642,317	5,505,290	5,089,126
Net income	$ 3,412,327	$ 3,466,366	$ 4,023,498

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

TWO PENN PLAZA ASSOCIATES L.P.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	1996	1995	1994
Cash flows from operating activities			
Net income	$ 3,412,327	$ 3,466,366	$ 4,023,498
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization of fixed assets	3,993,189	4,043,699	4,051,144
Amortization of leasing and mortgage costs	1,649,128	1,461,591	1,037,982
(Gain) loss on sale of marketable securities	29,155	(13,936)	--
Changes in assets and liabilities			
Interest receivable	(19,869)	(42,896)	21,389
Receivables	1,655,657	1,050,799	88,712
Prepaid leasing costs	(780,677)	(433,087)	(466,182)
Other prepayments	(2,252)	92,881	93,009
Accrued interest payable	(1,664,069)	35,175	(7,927)
Accounts payable and accrued expenses	503,702	(25,106)	222,079
Leasing costs payable	--	--	(76,136)
Deferred income	29,695	(485)	(79,876)
Tenants' security deposits	34,070	(79,001)	(303,956)
Tenants' security deposits payable	(34,070)	79,001	303,956
Net cash provided by operating activities	8,805,986	9,635,001	8,907,692
Cash flows from investing activities			
Acquisition of improvements and equipment	(3,819,227)	(5,887,833)	(5,104,459)
Acquisition of U.S. Treasury obligations	(11,370,611)	(10,699,760)	(7,619,101)
Redemption of U.S. Treasury obligations	8,850,741	7,345,019	9,084,207
Due from partner	--	(69,371)	(127,788)
Net cash used in investing activities	(6,339,097)	(9,311,945)	(3,767,141)
Cash flows from financing activities			
Mortgage costs	(80,010)	(3,941,591)	(22,372)
Escrow for mortgage costs	--	3,600,000	(3,600,000)
Distributions to partners	--	--	(2,324,062)
Net cash used in financing activities	(80,010)	(341,591)	(5,946,434)
Net increase (decrease) in cash and short-term investments	2,386,879	(18,535)	(805,883)
Cash and short-term investments, beginning of year	5,435,297	5,453,832	6,259,715
Cash and short-term investments, end of year	$ 7,822,176	$ 5,435,297	$ 5,453,832
Supplemental cash flow disclosures			
Interest paid	$ 13,596,371	$ 11,947,639	$ 11,848,926

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

TWO PENN PLAZA ASSOCIATES L.P.

STATEMENT OF CHANGES IN PARTNERS' CAPITAL DEFICIENCY

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

		General Partners			Limited Partners	
	Total	Bernard H. Mendik	Mendik Realty Company, Inc.	Nancy Creek, Inc.	Union Bank of Switzerland, New York Branch, as Successor Trustee for Account No. P-34742	Carborundum Joint Venture
Balance, December 1993	$(93,037,094)	$(16,003,268)	$ (161,648)	$ (225,822)	$(41,494,642)	$(22,359,053)
Net income	4,023,498	951,622	9,612	8,997	1,652,346	890,545
Distributions	(2,324,062)	(626,485)	(6,328)	(4,968)	(912,569)	(491,837)
Unrealized loss on U.S. Treasury obligations	(21,199)	(4,481)	(45)	(49)	(8,997)	(4,849)
Balance, December 31, 1994	(91,358,857)	(15,682,612)	(158,409)	(221,842)	(40,763,862)	(21,965,194)
Transfers of interest January 1, 1995	--	--	--	--	24,170,114	--
Net income	3,466,366	968,387	9,782	7,309	542,166	723,598
Reversal of prior year unrealized loss on U.S. Treasury obligations	21,199	4,481	45	49	8,997	4,849
Unrealized gain on U.S. Treasury obligations	20,574	5,748	58	43	3,218	4,294
Balance, December 31, 1995	(87,850,718)	(14,703,996)	(148,524)	(214,441)	(16,039,367)	(21,232,453)
Transfers of interest January 2, 1996	--	--	--	--	16,039,367	--
Transfers of interest December 13, 1996	--	--	--	207,584	--	--
Transfers of interest December 17, 1996	--	--	--	--	--	--
Net income	3,412,327	925,310	9,349	6,899	--	720,537
Reversal of prior year unrealized gain on U.S. Treasury obligations	(20,574)	(5,748)	(58)	(43)	--	(4,294)
Unrealized gain on U.S. Treasury obligations	437	120	1	1	--	92
Balance, December 31, 1996	$(84,458,528)	$(13,784,314)	$ (139,232)	$ -0-	$ -0-	$(20,516,118)

	Limited Partners					
	Penby Associates	Knatten Inc.	Bernard H. Mendik	Portfolio U Holdings Corporation	UBSCO Corporation	Nancy Creek, Inc.
Balance, December 31, 1993	$ (6,396,328)	$ (5,117,056)	$ (1,279,277)	$ --	$ --	$ --
Net income	255,190	204,148	51,038	--	--	--
Distributions	(140,937)	(112,750)	(28,188)	--	--	--
Unrealized loss on U.S. Treasury obligations	(1,389)	(1,111)	(278)	--	--	--
Balance, December 31, 1994	(6,283,464)	(5,026,769)	(1,256,705)	--	--	
Transfers of interest January 1, 1995	--	--	--	(24,170,114)	--	--
Net income	207,351	165,882	41,469	800,422	--	--

Reversal of prior year unrealized loss on U.S. Treasury obligations	1,389	1,111	278	--	--	--
Unrealized gain on U.S. Treasury obligations	1,231	985	246	4,751	--	--
Balance, December 31, 1995	(6,073,493)	(4,858,791)	(1,214,712)	(23,364,941)	--	--
Transfers of interest January 2, 1996	--	--	--	(16,039,367)	--	--
Transfers of interest December 13, 1996	--	--	--	--	--	(207,584)
Transfers of interest December 17, 1996	--	--	--	38,130,147	(38,130,147)	--
Net income	206,473	165,180	41,293	1,281,966	54,941	379
Reversal of prior year unrealized gain on U.S. Treasury obligations	(1,231)	(985)	(246)	(7,969)	--	--
Unrealized gain on U.S. Treasury obligations	26	21	5	164	7	--
Balance, December 31, 1996	$ (5,868,225)	$ (4,694,575)	$ (1,173,660)	$ -0-	$(38,075,199)	$ (207,205)

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

TWO PENN PLAZA ASSOCIATES L.P.

NOTES TO FINANCIAL STATEMENTS

1 - ORGANIZATION AND GENERAL

The Partnership, originally named Two Penn Plaza Associates, was organized in December 1978 to acquire, maintain and operate the property located at Two Penn Plaza, New York, New York. On December 21, 1993, the name of the Partnership was changed to Two Penn Plaza Associates L.P.

2 - TRANSFER OF OWNERSHIP

Pursuant to a solicitation contained in a private placement memorandum dated November 11, 1996, the Partnership obtained the consent of its partners to participate in an offering of shares of common stock in accordance with a preliminary registration statement filed with the Securities and Exchange Commission on December 18, 1996. On March 12, 1997, the managing general partner entered into an agreement with Vornado Realty Trust, a publicly traded real estate investment trust ("REIT"). The partners will be resolicited to obtain their consents to participate in this transaction, under terms and conditions similar to those stated in the private placement memorandum dated November 11, 1996. The REIT is a fully integrated, self-administered and self-managed real estate company which has qualified as a real estate investment trust for Federal income tax purposes. Upon completion of the transaction, it is anticipated that the Partnership will be owned by a company controlled by the REIT.

3 - THE PARTNERSHIP AGREEMENT

(a) Allocation of Distributions and Net Income and Loss

As defined in the agreement, distributions are generally as follows: first, $210,000 to Bernard H. Mendik and Mendik Realty Company, Inc. (the "Mendik Group") and then, 20% to the Mendik Group and 80% to the other partners in proportion to their respective partnership interests.

Net income and net loss are generally allocated as follows: first, gross income is allocated in the same ratio as an equal amount of cash would have been distributed and then, deductions are allocated in the same ratio as the gross income.

As described in the agreement, certain adjustments in the distributions and income and loss allocations are made among the partners for financing costs incurred to return the partners' original capital contributions.

(Continued)

TWO PENN PLAZA ASSOCIATES L.P.

NOTES TO FINANCIAL STATEMENTS

3 - THE PARTNERSHIP AGREEMENT (Continued)

(b) Transfers of Interests

On January 1, 1995, Union Bank of Switzerland, New York Branch, as Successor Trustee for Account P-34742, assigned 25.735% of its partnership interest to Portfolio U Holdings Corporation. On January 2, 1996, the balance of its interest (17.432%) was assigned to Portfolio U Holdings Corporation.

On December 17, 1996, Portfolio U Holdings Corporation assigned its partnership interest to UBSCO Corporation, a Delaware corporation.

Effective December 13, 1996, Nancy Creek, Inc. withdrew as a general partner and its general partnership interest was transferred to that of a limited partner.

4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Restatement of Financial Statements

The accompanying financial statements as of December 31, 1995 and for the years ended December 31, 1995 and 1994 have been restated to reflect adjustments to prior years' water and sewer expense for amounts previously recorded entirely in 1995. Restated amounts reflect an increase in partners' capital deficiency of $321,709 at December 31, 1994. In addition, expenses for the years ended December 31, 1995 and 1994 have been increased (decreased) by $(321,709) and $78,940, respectively.

(b) Use of Estimates

The managing general partner uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

(c) Rental Income

Leases are classified as operating leases in accordance with the provisions of Financial Accounting Standards Board (FASB) Statement No. 13. One of these provisions requires the recognition of scheduled rent increases and rent concessions on a straight-line basis over the lease term. Included in rental income for the years ended December 31, 1996, 1995 and 1994 is $(562,614), $(925,432) and $(87,863), respectively, representing reductions in rental income required under this provision.

(Continued)

TWO PENN PLAZA ASSOCIATES L.P.

NOTES TO FINANCIAL STATEMENTS

4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Depreciation and Amortization

Property and improvements are stated at cost. Depreciation and amortization charges are computed over the following estimated useful asset lives or periods, primarily on the straight-line basis:

Asset	Asset Lives
Building	Lives of the existing building components, ranging from 15 to 30 years
Building improvements	10 to 39 years
Furniture and equipment	5 to 7 years
Tenant improvements	Term of related lease
Leasing costs	Term of related lease
Mortgage costs	Term of mortgage

(e) Investment in U.S. Treasury Obligations

The Partnership has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities". U.S. Treasury obligations are classified as available-for-sale in accordance with the provisions of SFAS No. 115, and carried at fair value. Net unrealized gains (losses) at December 31, 1996, 1995 and 1994 (presented as a component of partners' capital deficiency) are $437, $20,574 and $(21,199), respectively.

Contractual maturities (including accrued interest) of the securities at December 31, 1996 are as follows:

Within 1 year	$2,133,690
1-2 years	5,985,075
	$8,118,765

Included in the investment in U.S. Treasury obligations is accrued interest of $94,581 and $74,712 at December 31, 1996 and 1995, respectively.

(Continued)

TWO PENN PLAZA ASSOCIATES L.P.

NOTES TO FINANCIAL STATEMENTS

4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Financial Instruments

Effective for years ended after December 15, 1995, Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments", as amended, requires certain entities to disclose the fair value of specified financial instruments for which it is practicable to estimate that value. The fair value of the investment in U.S. Treasury obligations is presented in Note 4(e). It was not practicable to estimate the fair value of the mortgages payable and interest rate exchange agreements because quoted market prices do not exist and estimates could not be made through other means without incurring excessive costs.

(g) Income Taxes

The Partnership is not a taxpaying entity for income tax purposes and, accordingly, no provision has been made for income taxes. The partners' allocable shares of the Partnership's taxable income or loss are reportable on their income tax returns.

(h) Cash and Short-Term Investments

The Partnership considers all highly liquid investments with a maturity of three months or less when purchased to be short-term investments.

Cash balances and certificates of deposit of approximately $6,194,000 and $4,706,000 at December 31, 1996 and 1995, respectively, are maintained in two banks and are insured by the Federal Deposit Insurance Corporation up to a maximum of $100,000 for each bank.

(Continued)

TWO PENN PLAZA ASSOCIATES L.P.

NOTES TO FINANCIAL STATEMENTS

5 - PROPERTY AND IMPROVEMENTS

	1996	1995
Land	$ 6,014,574	$ 6,014,574
Building	53,707,119	53,707,119
Building improvements	21,800,688	17,287,884
Tenant improvements	41,206,093	38,839,925
Furniture and equipment	1,268,843	1,240,753
Improvements in progress	296,326	3,323,627
	124,293,643	120,413,882
Less - Accumulated depreciation and amortization	84,044,177	80,050,988
	$ 40,249,466	$ 40,362,894

6 - RECEIVABLES

	1996	1995
Receivable from tenants		
Billed and not collected	$ 447,346	$ 1,598,274
Escalation accruals	80,208	168,376
Accrual required by FASB Statement No. 13 - Note 4(c)	14,017,851	14,580,465
	14,545,405	16,347,115
Due from maintenance services company - Note 8(b)	185,000	25,407
Due from partner	197,159	197,159
Other	27,401	40,941
	$ 14,954,965	$ 16,610,622

(Continued)

TWO PENN PLAZA ASSOCIATES L.P.

NOTES TO FINANCIAL STATEMENTS

7 - MORTGAGES PAYABLE

On May 11, 1988, the Partnership entered into a loan agreement pursuant to which National Bank of Kuwait S.A.K., Grand Cayman Island branch ("NBK") agreed to lend the Partnership up to $225,000,000 to be used for, but not limited to, the partial or full payment of prior mortgages, distributions to partners, payment of loan costs, and establishing revolving credit and working capital facilities. At this time, it is believed that because of a decline in the property's market value, additional borrowings may not be available.

The loans mature on May 10, 2000 and require payment of interest at a floating rate, as defined in the agreement. In addition, the Partnership has entered into interest rate exchange agreements as follows:

On November 8, 1989, the Partnership entered into interest rate exchange agreements with various commercial banks (the "Banks") and NBK, as agent for the Banks, for an aggregate principal amount of $40,000,000, to expire on November 8, 1999.

On October 6, 1992, the Partnership entered into an interest rate exchange agreement for $115,000,000 until October 6, 1999.

The fixed interest was paid semiannually at the rate of 9.3625% on the $40,000,000 mortgage and 6.7475% on the $115,000,000 mortgage. Beginning November 8, 1996 and October 6, 1996, respectively, the interest is paid monthly at the rate of 9.2525% on the $40,000,000 mortgage and 6.6725% on the $115,000,000 mortgage.

Interest rates vary on the remaining $4,100,000 of the mortgages payable balance. The effective rates were approximately 6.2%, 6.75% and 6.5% for the years ended December 31, 1996, 1995 and 1994, respectively. The overall effective interest rate paid by the Partnership was approximately 7.5% for each of the years ended December 31, 1996 and 1995 and 7.4% for the year ended December 31, 1994.

(Continued)

TWO PENN PLAZA ASSOCIATES L.P.

NOTES TO FINANCIAL STATEMENTS

7 - MORTGAGES PAYABLE (Continued)

The partners and NBK had agreed that NBK would not record the new mortgages arising as borrowings were made, but that NBK would have the option to do so upon giving notice to the Partnership, with the Partnership being responsible for payment of the mortgage recording tax. If for any reason NBK could not record the mortgage notes, then certain partners agreed to guarantee the debt. The partners also could voluntarily record the mortgage. In 1994, at the voluntary request of the Partnership, the Partnership paid $3,600,000 into a mortgage escrow deposit account. In 1995, NBK recorded mortgages of $131,000,000, requiring a total payment of $3,941,591 for mortgage recording taxes, title insurance, and other costs. The Partnership paid the additional amount due in excess of the balance in the escrow account. Total costs were charged to mortgage costs and are being amortized over the remaining term of the loans.

8 - RELATED PARTY TRANSACTIONS

(a) Management Services

Management services are provided to the Partnership by Mendik Realty Company, Inc., a general partner of the Partnership. The annual management fee is 1-1/2% of rental receipts, as defined. Management fees for the years ended December 31, 1996, 1995 and 1994 were $645,539, $667,048 and $651,203, respectively.

(b) Maintenance Services

Maintenance services for the property are provided at cost plus an allocable share of overhead expenses by a company that is controlled by a general partner of the Partnership. Services of the building engineers are provided at cost. Profits earned from direct tenant services are shared with the Partnership.

For the years ended December 31, 1996, 1995 and 1994, cleaning and related expenses were $4,209,139, $4,167,915 and $4,009,013, engineering and preventive maintenance was $780,007, $902,157 and $747,694, and the Partnership's share of profits from tenant services was $326,549, $359,293 and $417,077, respectively. Amounts receivable from the maintenance services company were $185,000 and $25,407 at December 31, 1996 and 1995, respectively.

(Continued)

TWO PENN PLAZA ASSOCIATES L.P.

NOTES TO FINANCIAL STATEMENTS

8 - RELATED PARTY TRANSACTIONS (Continued)

(b) Maintenance Services (Continued)

The maintenance services company occupied space in the building under leases which were terminated on February 1, 1995. The leases, for approximately 9,000 square feet, required base rent (including electric) of $191,819 and provided for additional rent based on increases in real estate taxes and operating expenses. Rental income from the company for the years ended December 31, 1995 and 1994 was $18,659 and $206,153, respectively.

(c) Security Services

Security services for the property are provided at cost plus an allocable share of overhead expenses by a company whose controlling stockholder is a general partner of the Partnership. Profits earned from direct tenant services are shared equally with the Partnership. The cost of security services provided by this company for the years ended December 31, 1996, 1995 and 1994 was $621,709, $708,366 and $637,048, respectively.

(d) Construction Services

Ambassador Construction Co., Inc., a partner of a partner in the Partnership, provides construction and related services for the property. Costs for the years ended December 31, 1996, 1995 and 1994 were $110,399, $1,433,418 and $645,341, respectively.

9 - LEASE ARRANGEMENTS

Space in the building is rented to a large number of tenants under various lease agreements. These leases, which are classified as operating leases, include renewal options and provisions for additional rent based on increases in property taxes, operating expenses or porter wage rates, and utilities over base period amounts.

(Continued)

TWO PENN PLAZA ASSOCIATES L.P.

NOTES TO FINANCIAL STATEMENTS

9 - LEASE ARRANGEMENTS (Continued)

Approximate minimum future rentals required under operating leases, excluding rentals that are cancelable at the tenant's option, are as follows:

Year Ending December 31,	
1997	$ 26,667,000
1998	19,979,000
1999	19,616,000
2000	16,574,000
2001	13,959,000
Thereafter	65,691,000
	$162,486,000

Escalations (contingent rentals) included in rental income were $2,752,775, $3,696,514 and $3,881,091 for the years ended December 31, 1996, 1995 and 1994, respectively.

Approximately 43% of total rental income was derived from two tenants whose leases expire between October 31, 1996 and January 31, 1998. The lease which expired October 31, 1996 represented approximately 30% of total rental income and approximately $9,920,000 of annual base rents. The other lease represented approximately $4,672,000 of annual base rents.

10 - COMMITMENTS

Pursuant to the terms of leases with various tenants, the Partnership is obligated to pay approximately $2,050,000 of the cost of initial alterations to be made to the leased premises. As of December 31, 1996, approximately $121,000 of these costs have been incurred.

ANNEX B

M ELEVEN ASSOCIATES,
M 393 ASSOCIATES AND
ELEVEN PENN PLAZA COMPANY
(GENERAL PARTNERSHIPS)

COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

AND

INDEPENDENT AUDITORS' REPORT

M ELEVEN ASSOCIATES,
M 393 ASSOCIATES AND
ELEVEN PENN PLAZA COMPANY

COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

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FRIEDMAN
ALPREN &
GREEN LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

TO THE PARTNERS OF M ELEVEN ASSOCIATES, M 393 ASSOCIATES
AND ELEVEN PENN PLAZA COMPANY

We have audited the accompanying combined balance sheet of M ELEVEN ASSOCIATES, M 393 ASSOCIATES AND ELEVEN PENN PLAZA COMPANY (general partnerships) as of December 31, 1996 and 1995, and the related combined statements of income, cash flows and changes in partners' capital deficiency for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Partnerships' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of M ELEVEN ASSOCIATES, M 393 ASSOCIATES AND ELEVEN PENN PLAZA COMPANY as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ FRIEDMAN ALPREN & GREEN LLP

January 14, 1997, except for
Note 2, as to which the date
is March 12, 1997

M ELEVEN ASSOCIATES,
M 393 ASSOCIATES AND
ELEVEN PENN PLAZA COMPANY

COMBINED BALANCE SHEET

DECEMBER 31, 1996 AND 1995

	1996	1995
ASSETS		
Property and improvements - at cost, less accumulated depreciation and amortization of $46,520,422 and $43,201,381 - Note 4	$ 36,266,165	$ 34,271,529
Cash	716,244	952,032
Restricted cash - Note 7	1,062,888	3,556,630
Receivables - Note 5	21,810,111	21,857,329
Escrow deposits, real estate taxes - Note 7	374,822	330,821
Escrow deposits, tenant costs - Note 6	147,341	140,119
Prepaid real estate taxes	2,037,886	1,984,926
Prepaid leasing costs	3,758,264	3,629,698
Other prepayments	86,491	87,201
Unamortized mortgage costs	293,594	31,844
Tenants' security deposits - Note 10	679,995	666,797
	$ 67,233,801	$ 67,508,926
LIABILITIES AND PARTNERS' CAPITAL DEFICIENCY		
Liabilities		
Mortgages payable - Note 7	$ 74,968,471	$ 76,963,344
Accrued interest payable	199,778	193,468
Accounts payable and accrued expenses	407,327	417,942
Improvements payable	112,262	25,989
Leasing costs payable	604,163	-
Deferred income	86,389	176,882
Tenants' security deposits payable	663,764	651,074
	77,042,154	78,428,699
Commitment - Note 11	--	--
Partners' capital deficiency	(9,808,353)	(10,919,773)
	$ 67,233,801	$ 67,508,926

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

M ELEVEN ASSOCIATES,
M 393 ASSOCIATES AND
ELEVEN PENN PLAZA COMPANY

COMBINED STATEMENT OF INCOME

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	1996	1995	1994
Revenues			
Rental income	$ 24,374,745	$ 24,270,234	$ 24,478,684
Lease cancellation income	--	7,479,701	--
Interest	574,153	201,451	73,147
	24,948,898	31,951,386	24,551,831
Expenses			
Renting	28,782	29,778	41,930
Administrative	840,638	991,813	865,893
Operating	7,644,611	7,397,211	6,755,338
Real estate taxes	4,071,360	4,156,110	4,623,700
	12,585,391	12,574,912	12,286,861
Income before interest expense and depreciation and amortization	12,363,507	19,376,474	12,264,970
Interest expense	7,099,948	7,222,720	7,003,505
Income before depreciation and amortization	5,263,559	12,153,754	5,261,465
Depreciation and amortization	4,152,139	4,654,746	3,737,260
Net income	$ 1,111,420	$ 7,499,008	$ 1,524,205

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

M ELEVEN ASSOCIATES,
M 393 ASSOCIATES AND
ELEVEN PENN PLAZA COMPANY

COMBINED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	1996	1995	1994
Cash flows from operating activities			
Net income	$ 1,111,420	$ 7,499,008	$ 1,524,205
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization of fixed assets	3,319,040	3,558,110	2,721,099
Amortization of leasing and mortgage costs	833,099	1,096,636	1,016,161
Changes in assets and liabilities			
Restricted cash	2,493,742	(3,004,182)	(552,448)
Receivables	522,218	(5,435,467)	(1,479,172)
Escrow deposits, real estate taxes	(44,001)	(330,821)	--
Prepaid real estate taxes	(52,960)	215,022	(2,199,948)
Prepaid leasing costs	(800,639)	(396,916)	(381,705)
Other prepayments	710	483	330,359
Other assets	--	--	16,000
Accrued interest payable	6,310	(444,521)	29,185
Accounts payable and accrued expenses	(10,615)	73,576	(63,874)
Leasing costs payable	604,163	(106,546)	(354,901)
Lease cancellation obligation	--	(13,523)	(54,866)
Deferred income	(90,493)	176,882	--
Tenants' security deposits	(13,198)	(89,980)	23,045
Tenants' security deposits payable	12,690	74,257	(23,045)
Net cash provided by operating activities	7,891,486	2,872,018	550,095
Cash flows from investing activities			
Acquisition of improvements	(5,227,403)	(708,698)	(2,389,987)
Con Edison rebate receivable	(475,000)	--	--
Escrow deposits, tenant costs	(7,222)	(7,666)	842,287
Due from partners	--	--	111,000
Net cash used in investing activities	(5,709,625)	(716,364)	(1,436,700)
Cash flows from financing activities			
Principal payments on mortgage	(1,994,873)	(2,199,041)	(984,017)
Mortgage costs	(422,776)	(16,628)	(659,994)
Net cash used in financing activities	(2,417,649)	(2,215,669)	(1,644,011)
Net decrease in cash	(235,788)	(60,015)	(2,530,616)
Cash, beginning of year	952,032	1,012,047	3,542,663
Cash, end of year	$ 716,244	$ 952,032	$ 1,012,047
Supplemental cash flow disclosures			
Interest paid	$ 7,093,638	$ 7,667,241	$ 6,969,600

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

M ELEVEN ASSOCIATES,
M 393 ASSOCIATES AND
ELEVEN PENN PLAZA COMPANY

COMBINED STATEMENT OF CHANGES IN PARTNERS' CAPITAL DEFICIENCY

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

Balance, January 1, 1994	$ (19,942,986)
Net income	1,524,205
Balance, December 31, 1994	(18,418,781)
Net income	7,499,008
Balance, December 31, 1995	(10,919,773)
Net income	1,111,420
Balance, December 31, 1996	$ (9,808,353)

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

M ELEVEN ASSOCIATES,
M 393 ASSOCIATES AND
ELEVEN PENN PLAZA COMPANY

NOTES TO COMBINED FINANCIAL STATEMENTS

1 - ORGANIZATION

Eleven Penn Plaza Company (the "Partnership") was organized in 1980 and acquired the property located at Eleven Penn Plaza (formerly 393 Seventh Avenue), New York, New York on July 1, 1980. M Eleven Associates and M 393 Associates each own a 50% interest in Eleven Penn Plaza Company. All three entities (the "Partnerships") are general partnerships.

2 - TRANSFER OF OWNERSHIP

Pursuant to a solicitation contained in a private placement memorandum dated November 11, 1996, the Partnerships obtained the consent of their partners to participate in an offering of shares of common stock in accordance with a preliminary registration statement filed with the Securities and Exchange Commission on December 18, 1996. On March 12, 1997, the Partnerships entered into an agreement with Vornado Realty Trust, a publicly traded real estate investment trust ("REIT"). The partners will be resolicited to obtain their consents to participate in this transaction, under terms and conditions similar to those stated in the private placement memorandum dated November 11, 1996. The REIT is a fully integrated, self-administered and self-managed real estate company which has qualified as a real estate investment trust for Federal income tax purposes. Upon completion of the transaction, it is anticipated that the Partnerships will be owned by a company controlled by the REIT.

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Combination

The accompanying combined financial statements include the accounts of the Partnerships. All material intercompany transactions have been eliminated.

(b) Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

(Continued)

M ELEVEN ASSOCIATES,
M 393 ASSOCIATES AND
ELEVEN PENN PLAZA COMPANY

NOTES TO COMBINED FINANCIAL STATEMENTS

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Rental Income

Leases are classified as operating leases in accordance with the provisions of Financial Accounting Standards Board (FASB) Statement No. 13. One of these provisions requires the recognition of scheduled rent increases and deferred rent concessions on a straight-line basis over the lease term. Included in rental income for the years ended December 31, 1996, 1995 and 1994 is $648,901, $399,100 and $1,366,630, respectively, representing the amounts required to be accrued under this provision.

(d) Depreciation and Amortization

Property and improvements are stated at cost. Depreciation and amortization is computed over estimated useful asset lives or periods, primarily on the straight-line basis.

Details are as follows:

Asset	Asset Lives or Periods
Building	Lives of the building's components, ranging from 8-1/2 to 23-1/2 years
Building improvements	15 to 39 years
Furniture and equipment	4 to 7 years
Tenant improvements	Term of related lease
Leasing costs	Term of related lease
Mortgage costs	Term of mortgage

(Continued)

M ELEVEN ASSOCIATES,
M 393 ASSOCIATES AND
ELEVEN PENN PLAZA COMPANY

NOTES TO COMBINED FINANCIAL STATEMENTS

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fair Value of Financial Instruments

Effective for years ended after December 15, 1995, Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments", as amended, requires certain entities to disclose the fair value of specified financial instruments for which it is practicable to estimate that value. It was not practicable to estimate the fair value of the mortgages payable at December 31, 1996 because quoted market prices do not exist and an estimate could not be made through other means without incurring excessive costs.

(f) Income Taxes

The Partnerships are not taxpaying entities for income tax purposes and, accordingly, no provision has been made for income taxes. The partners' allocable shares of the Partnerships' taxable income or loss are reportable on their income tax returns.

(g) Concentrations of Credit Risk for Cash

At December 31, 1996 and 1995, cash balances, maintained in two banks by the Partnership and one bank by each of the other entities, are insured by the Federal Deposit Insurance Corporation up to a maximum of $100,000 in each bank for each entity.

(Continued)

M ELEVEN ASSOCIATES,
M 393 ASSOCIATES AND
ELEVEN PENN PLAZA COMPANY

NOTES TO COMBINED FINANCIAL STATEMENTS

4 - PROPERTY AND IMPROVEMENTS

	1996	1995
Land	$ 6,213,802	$ 6,213,802
Building	32,123,817	32,123,817
Building improvements	17,047,344	16,555,076
Tenant improvements	24,611,011	21,113,133
Furniture and equipment	800,756	758,888
Building improvements in progress	1,786,072	446,250
Tenant improvements in progress	203,785	261,944
	82,786,587	77,472,910
Less - Accumulated depreciation and amortization	46,520,422	43,201,381
	$ 36,266,165	$ 34,271,529

5 - RECEIVABLES

	1996	1995
Receivable from tenants		
Billed and not collected	$ 347,511	$ 75,783
Accruals	271,101	577,981
Lease cancellation (a)	5,259,514	6,315,744
Accruals required by FASB Statement No. 13 - Note 3(c)	15,368,413	14,719,512
Con Edison rebate - chiller replacement	475,000	-
Due from maintenance services and security services companies, net - Notes 8(b) and 8(c)	23,547	163,673
Insurance claims	64,114	4,092
Other	911	544
	$ 21,810,111	$ 21,857,329

(Continued)

M ELEVEN ASSOCIATES,
M 393 ASSOCIATES AND
ELEVEN PENN PLAZA COMPANY

NOTES TO COMBINED FINANCIAL STATEMENTS

5 - RECEIVABLES (Continued)

(a) In 1995, the Partnership entered into an agreement with a tenant to terminate, effective October 1, 1995, the tenant's obligations under a lease covering certain space in the property. The present value of total principal payments to be received, allocable to this transaction, was $6,528,000. Interest has been imputed at 8%. Monthly payments will range from approximately $9,000 to $138,000 from October 1, 1995 through June 1, 2001. Additionally, payments of approximately $253,000 and $1,188,000 were received in October 1995 and January 1996, respectively. Income recognized in 1995, net of an adjustment of approximately $1,409,000 for rent income previously recognized on the straight-line basis (see Note 3(c)), was approximately $5,119,000. In addition, related prepaid leasing costs and unamortized tenant improvements of approximately $181,000 and $669,000, respectively, were written off at October 1, 1995.

An agreement with the same tenant provides for the surrender of additional space in 1997. The present value of principal payments to be received, allocable to this transaction, total $17,938,000, and monthly payments will be required through June 1, 2001. Interest will also be imputed at 8%. Income to be recognized in 1997, net of an adjustment of approximately $3,691,000 for rent income previously recognized on the straight-line basis (see Note 3(c)), will be approximately $14,247,000. In addition, related prepaid leasing costs and unamortized tenant improvements of approximately $578,000 and $2,100,000, respectively, will be written off in 1997.

6 - ESCROW DEPOSITS, TENANT COSTS

Payments required to be made by the Partnership for tenant improvement and leasing costs for a tenant are held in escrow. The funds are released as invoices are approved.

(Continued)

M ELEVEN ASSOCIATES,
M 393 ASSOCIATES AND
ELEVEN PENN PLAZA COMPANY

NOTES TO COMBINED FINANCIAL STATEMENTS

7 - MORTGAGES PAYABLE

	1996	1995
The Equitable Life Assurance Society of the United States (a)	$ 53,835,471	$ 55,830,344
Citicorp Real Estate, Inc. (b)	21,133,000	21,133,000
	$ 74,968,471	$ 76,963,344

(a) The Partnership borrowed $60,000,000 from The Equitable Life Assurance Society of the United States, secured by a first mortgage on the property. The mortgage agreement required monthly payments of $540,956 from January 2, 1994 through January 1, 1995 and $614,723 through January 1, 1996, including interest at 9.25% a year. Effective January 30, 1996, monthly payments of $604,829 including interest at 9.25% a year are required through January 31, 1999, the extended maturity date, at which time the principal balance of approximately $48,850,000 will be payable. The Partnership can prepay the principal balance, in full, but not in part, without penalty at any time during the last three months prior to maturity, with 30 days' written notice. At any other time, prepayment of principal can be made, in full, but not in part, by giving 30 days' written notice and paying a 2% prepayment penalty.

Annual maturities of principal at December 31, 1996 are approximately as follows:

Year Ending December 31,	
1997	$ 2,200,000
1998	2,500,000
1999	49,100,000
	$ 53,800,000

The Partnership is also required to make monthly payments into a real estate tax escrow account.

(Continued)

M ELEVEN ASSOCIATES,
M 393 ASSOCIATES AND
ELEVEN PENN PLAZA COMPANY

NOTES TO COMBINED FINANCIAL STATEMENTS

7 - MORTGAGES PAYABLE (Continued)

(b) A second mortgage loan with Citicorp Real Estate, Inc. matured on March 30, 1994 and was extended to February 1, 1996. Interest only was paid at a variable base rate, as defined. The effective rates for the period January 1, 1996 through January 29, 1996 and for the years ended December 31, 1995 and 1994 were 8.75%, 9.20% and 7.50%, respectively. Effective January 30, 1996, the maturity date was extended to January 31, 1999, and payments of interest only at 9.25% a year are required. The mortgage principal balance can be prepaid, in full or in part, at any time without penalty.

(c) An agreement for the collection of rents was entered into during 1994 between the mortgagees and the Partnership, pursuant to which all rents are deposited into an account directly controlled by the mortgagees. Any cash required by the Partnership to fund operations must be requisitioned from the mortgagees.

8 - RELATED PARTY TRANSACTIONS

(a) Management Services

Management services are provided by Mendik Realty Company, Inc., a corporation which is a general partner of a partner in the Partnership. The annual management fee is 2% of gross rental income. Total management fees for the years ended December 31, 1996, 1995 and 1994 were $503,935, $533,029 and $462,395, respectively. The amounts payable at December 31, 1996 and 1995 were $11,015 and $23,174, respectively.

(b) Maintenance Services

Maintenance services for the property are provided at cost plus an allocable share of overhead expenses by a company controlled by the managing partner of the Partnership. Services of building engineers are provided at cost. Profits earned from direct tenant services are shared with the Partnership.

(Continued)

M ELEVEN ASSOCIATES,
M 393 ASSOCIATES AND
ELEVEN PENN PLAZA COMPANY

NOTES TO COMBINED FINANCIAL STATEMENTS

8 - RELATED PARTY TRANSACTIONS (Continued)

(b) Maintenance Services (Continued)

Cleaning and related expenses for the years ended December 31, 1996, 1995 and 1994 were $2,685,969, $2,476,880 and $2,238,451, respectively, engineering and preventive maintenance services were $668,513, $764,855 and $675,818, respectively, and the Partnership's share of the profits from tenant services was $178,788, $153,797 and $171,871, respectively. The net amounts receivable from the maintenance services company at December 31, 1996 and 1995 were $36,009 and $162,697, respectively.

(c) Security Services

Security services for the property are provided at cost plus an allocable share of overhead expenses by a company whose stockholder is the managing partner of the Partnership. Profits earned from direct tenant services are shared with the Partnership. Security services provided by this company for the years ended December 31, 1996, 1995 and 1994 were $374,641, $343,271 and $358,783, respectively. The net amount payable at December 31, 1996 was $12,462, and the amount receivable at December 31, 1995 was $976.

9 - LEASE ARRANGEMENTS

Space in the building is rented by the Partnership to a large number of tenants under various lease agreements. These leases, which are classified as operating leases, include renewal options and provisions for additional rent based on increases in real estate taxes, operating expenses or porter wage rates, and utilities over base period amounts.

(Continued)

M ELEVEN ASSOCIATES,
M 393 ASSOCIATES AND
ELEVEN PENN PLAZA COMPANY

NOTES TO COMBINED FINANCIAL STATEMENTS

9 - LEASE ARRANGEMENTS (Continued)

Approximate minimum future rentals required under operating leases at December 31, 1996, excluding rentals that are cancelable at the tenant's option, are as follows:

Year Ending December 31,	
1997	$ 15,382,000
1998	16,379,000
1999	15,581,000
2000	14,446,000
2001	14,928,000
Thereafter	54,998,000
	$ 131,714,000

Escalations (contingent rentals) included in rental income were $2,414,610, $2,468,169 and $2,461,280 for the years ended December 31, 1996, 1995 and 1994, respectively.

At December 31, 1996, a tenant with an annual base rent of approximately $4,147,000 under a lease expiring December 31, 2002 provided 22% of base rental income. Another tenant, who is surrendering its lease as of January 1, 1997, provided approximately $4,387,000, or 23%, of annual base rental income. The surrender agreement is described in Note 5(a).

The maintenance services company occupies space in the building under a 10-year lease which began on February 1, 1995. The lease, for approximately 12,300 square feet, requires annual base rent (including electric) of $98,400 and provides for additional rent based on increases in real estate taxes. The lease provided for a 16-month rent abatement until August 1996. Included in the amount required to be accrued by FASB Statement No. 13 at December 31, 1996 is $131,097 for this lease.

(Continued)

M ELEVEN ASSOCIATES,
M 393 ASSOCIATES AND
ELEVEN PENN PLAZA COMPANY

NOTES TO COMBINED FINANCIAL STATEMENTS

10 - TENANTS' SECURITY DEPOSITS

In addition to cash deposits, the Partnership is holding letters of credit of $102,795 at December 31, 1996 and 1995 as tenants' security deposits pursuant to lease agreements.

11 - COMMITMENT

The Partnership has entered into a contract for a chiller replacement project. The total cost of the project will be approximately $2,500,000, of which approximately $475,000 will be funded by a Con Edison rebate program. At December 31, 1996, approximately $2,256,000 of these costs have been incurred, of which approximately $2,247,000 has been paid. The rebate receivable from Con Edison of $475,000 has been recorded at December 31, 1996.

ANNEX C

1740 BROADWAY ASSOCIATES, L.P.
(A LIMITED PARTNERSHIP)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

AND

INDEPENDENT AUDITORS' REPORT

1740 BROADWAY ASSOCIATES, L.P.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

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FRIEDMAN
ALPREN &
GREEN LLP
CERTIFIED PUBLIC ACCOUNTANTS

1700 BROADWAY
NEW YORK, NY 10019
212-582-1600
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INDEPENDENT AUDITORS' REPORT

TO THE PARTNERS OF 1740 BROADWAY ASSOCIATES, L.P.

We have audited the accompanying balance sheet of 1740 BROADWAY ASSOCIATES, L.P. (a limited partnership) as of December 31, 1996 and 1995, and the related statements of income, cash flows and changes in partners' capital for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the managing general partner. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 the managing general partner, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 1740 BROADWAY ASSOCIATES, L.P. as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

/S/ FRIEDMAN ALPREN & GREEN LLP

January 16, 1997, except for
Note 2, as to which the date
is March 12, 1997

1740 BROADWAY ASSOCIATES, L.P.

BALANCE SHEET

DECEMBER 31, 1996 AND 1995

	1996	1995
ASSETS		
Property and improvements - at cost, less accumulated depreciation and amortization of $18,085,937 and $14,957,089 - Note 5	$ 96,741,899	$ 99,017,284
Cash and short-term investments	4,557,595	2,320,557
Investment in U.S. Treasury obligations - Note 4(d)	2,119,196	4,890,481
Receivables - Note 6	12,110,468	9,680,435
Prepaid leasing costs, less accumulated amortization of $623,857 and $478,844	5,128,964	1,668,658
Tenant acquisition costs, less accumulated amortization of $2,547,797 and $2,062,988	6,907,943	7,669,918
Other prepayments	19,145	19,456
Tenants' security deposits - Note 10	525,158	527,123
	$128,110,368	$125,793,912
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities		
Tenant acquisition costs payable - Note 7	$ 4,524,761	$ 6,290,088
Accounts payable and accrued expenses	267,325	224,930
Leasing costs payable	1,301,115	--
Improvements payable	130,279	--
Deferred income	--	28,118
Tenants' security deposits payable	525,158	527,123
	6,748,638	7,070,259
Commitments - Note 11	--	--
Partners' capital	121,361,730	118,723,653
	$128,110,368	$125,793,912

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

1740 BROADWAY ASSOCIATES, L.P.

STATEMENT OF INCOME

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	1996	1995	1994
Revenues			
Rental income	$20,035,207	$20,477,492	$20,894,991
Lease cancellation income	2,150,943	--	--
Interest	520,228	936,262	498,069
	22,706,378	21,413,754	21,393,060
Expenses			
Renting	23,483	20,847	25,145
Administrative	502,324	567,837	325,085
Operating	4,665,046	4,529,149	4,266,154
Real estate taxes	3,866,918	3,771,745	3,753,418
	9,057,771	8,889,578	8,369,802
Income before depreciation and amortization	13,648,607	12,524,176	13,023,258
Depreciation and amortization	3,758,670	3,979,628	3,947,037
Net income	$ 9,889,937	$ 8,544,548	$ 9,076,221

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

1740 BROADWAY ASSOCIATES, L.P.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	1996	1995	1994
Cash flows from operating activities			
Net income	$ 9,889,937	$ 8,544,548	$ 9,076,221
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization of fixed assets	3,128,848	3,114,097	3,084,137
Amortization of leasing, tenant acquisition and organization costs	629,822	865,531	862,900
Changes in assets and liabilities			
Accrued interest, U.S. Treasury obligations	33,851	46,696	(83,772)
Receivables	(2,574,236)	(388,441)	(3,037,072)
Prepaid leasing costs	(3,605,319)	(7,473)	(295,099)
Tenant acquisition costs	277,166	--	(1,707,906)
Other prepayments	311	(8,952)	(10,504)
Tenant acquisition costs payable	(1,765,327)	(994,229)	485,545
Accounts payable and accrued expenses	42,395	58,463	(49,411)
Leasing costs payable	1,301,115	--	--
Deferred income	(28,118)	(53,498)	62,539
Tenants' security deposits	1,965	1,934	(7,848)
Tenants' security deposits payable	(1,965)	(1,934)	7,848
Net cash provided by operating activities	7,330,445	11,176,742	8,387,578
Cash flows from investing activities			
Acquisition of property and improvements	(723,184)	(870,626)	(807,256)
Acquisition of U.S. Treasury obligations	(7,968,520)	(18,564,266)	(11,108,954)
Redemption of U.S. Treasury obligations	10,688,130	21,622,418	4,501,224
Loan receivable	144,203	119,985	91,253
Net cash provided by (used in) investing activities	2,140,629	2,307,511	(7,323,733)
Cash flows from financing activities			
Distributions to partners	(7,234,036)	(15,263,195)	(5,817,593)
Net increase (decrease) in cash and short-term investments	2,237,038	(1,778,942)	(4,753,748)
Cash and short-term investments, beginning of year	2,320,557	4,099,499	8,853,247
Cash and short-term investments, end of year	$ 4,557,595	$ 2,320,557	$ 4,099,499

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

1740 BROADWAY ASSOCIATES, L.P.

STATEMENT OF CHANGES IN PARTNERS' CAPITAL

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

		General Partners		Limited Partners
	Total	Mendik 1740 Corp.	Nancy Creek, Inc.	Union Bank of Switzerland, New York Branch, as Successor Trustee for Account P-34742
Balance, January 1, 1994	$ 122,168,116	$ 41,375	$ 590,929	$ 59,661,550
Net income	9,076,221	3,077	43,900	4,432,311
Distributions	(5,817,593)	(1,972)	(28,139)	(2,840,981)
Unrealized loss on U.S. Treasury obligations	(114,233)	(39)	(553)	(55,784)
Balance, December 31, 1994	125,312,511	42,441	606,137	61,197,096
Transfers of interest January 1, 1995	--	--	--	(61,197,096)
Net income	8,544,548	2,897	41,328	--
Distributions	(15,263,195)	(5,174)	(73,827)	--
Reversal of prior year unrealized loss on U.S. Treasury obligations	114,233	39	553	--
Unrealized gain on U.S. Treasury obligations	15,556	5	75	--
Balance, December 31, 1995	118,723,653	40,208	574,266	--
Transfers of interest December 17, 1996	--	--	--	--
Net income	9,889,937	3,352	47,837	--
Distributions	(7,234,036)	(2,452)	(34,990)	--
Reversal of prior year unrealized gain on U.S. Treasury obligations	(15,556)	(5)	(75)	--
Unrealized loss on U.S. Treasury obligations	(2,268)	(1)	(11)	--
Balance, December 31, 1996	$ 121,361,730	$ 41,102	$ 587,027	$ -0-

	Limited Partners			
	Carborundum Center Joint Venture	1740 Broadway Investment Company	Portfolio U Holdings Corporation	UBSCO Corporation
Balance, January 1, 1994	$ 58,502,226	$ 3,372,036	$ --	$ --
Net income	4,346,183	250,750	--	--
Distributions	(2,785,777)	(160,724)	--	--
Unrealized loss on U.S. Treasury obligations	(54,701)	(3,156)	--	--
Balance, December 31, 1994	60,007,931	3,458,906	--	--
Transfers of interest January 1, 1995	--	--	61,197,096	--
Net income	4,091,589	236,062	4,172,672	--
Distributions	(7,308,840)	(421,678)	(7,453,676)	--

Reversal of prior year unrealized loss on U.S. Treasury obligations	54,701	3,156	55,784	--
Unrealized gain on U.S. Treasury obligations	7,449	430	7,597	--
Balance, December 31, 1995	56,852,830	3,276,876	57,979,473	--
Transfers of interest December 17, 1996	--	--	(59,069,325)	59,069,325
Net income	4,735,835	273,230	4,631,203	198,480
Distributions	(3,464,046)	(199,856)	(3,532,692)	--
Reversal of prior year unrealized gain on U.S. Treasury obligations	(7,449)	(430)	(7,597)	--
Unrealized loss on U.S. Treasury obligations	(1,086)	(63)	(1,062)	(45)
Balance, December 31, 1996	$ 58,116,084	$ 3,349,757	$ -0-	$ 59,267,760

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

1740 BROADWAY ASSOCIATES, L.P.

NOTES TO FINANCIAL STATEMENTS

1 - ORGANIZATION

1740 Broadway Associates, L.P. was organized on December 11, 1990 to acquire, maintain and operate the property located at 1740 Broadway, New York, New York. The property was acquired December 17, 1990.

2 - TRANSFER OF OWNERSHIP

Pursuant to a solicitation contained in a private placement memorandum dated November 11, 1996, the Partnership obtained the consent of its partners to participate in an offering of shares of common stock in accordance with a preliminary registration statement filed with the Securities and Exchange Commission on December 18, 1996. On March 12, 1997, the managing general partner entered into an agreement with Vornado Realty Trust, a publicly traded real estate investment trust ("REIT"). The partners will be resolicited to obtain their consents to participate in this transaction, under terms and conditions similar to those stated in the private placement memorandum dated November 11, 1996. The REIT is a fully integrated, self-administered and self-managed real estate company which has qualified as a real estate investment trust for Federal income tax purposes. Upon completion of the transaction, it is anticipated that the Partnership will be owned by a company controlled by the REIT.

3 - THE PARTNERSHIP AGREEMENT

(a) Capital Contributions

In addition to partners' initial capital contributions of $60,000,000 and investment capital contributions of $50,000,000, each partner has agreed to contribute additional capital aggregating $8,000,000 to fund the Partnership's additional capital needs, as defined. As of December 31, 1996 and 1995, the partners have contributed $6,351,878 in additional capital.

(b) Allocation of Net Income, Net Loss and Distributions

As defined in the agreement, allocations to the partners are in accordance with their respective partnership interests.

(c) Transfers of Interests

On January 1, 1995, Union Bank of Switzerland, New York Branch, as Successor Trustee for Account P-34742, assigned its partnership interest to Portfolio U Holdings Corporation, a Delaware corporation.

(Continued)

3 - THE PARTNERSHIP AGREEMENT (Continued)

(c) Transfers of Interests (Continued)

On December 17, 1996, Portfolio U Holdings Corporation assigned its partnership interest to UBSCO Corporation, a Delaware corporation.

4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Use of Estimates

The managing general partner uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

(b) Rental Income

Leases are classified as operating leases in accordance with the provisions of Financial Accounting Standards Board (FASB) Statement No. 13. One of these provisions requires the recognition of scheduled rent increases and deferred rent concessions on a straight-line basis over the lease term. Rental income includes $2,040,294, $599,138 and $1,161,628 for the years ended December 31, 1996, 1995 and 1994, respectively, representing the amounts required to be accrued under this provision (see Note 6).

(c) Depreciation and Amortization

Property and improvements are stated at cost. Depreciation and amortization is computed using the straight-line method over the following estimated useful asset lives:

Asset	Useful Asset Lives
Building	31-1/2 years
Building improvements	31-1/2 and 39 years
Tenant improvements	Term of related lease
Equipment	5 and 7 years
Leasing costs	Term of related lease
Tenant acquisition costs	Term of related lease
Organization costs	5 years

Organization costs have been fully amortized.

(Continued)

1740 BROADWAY ASSOCIATES, L.P.

NOTES TO FINANCIAL STATEMENTS

4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investment in U.S. Treasury Obligations

The Partnership has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities". U.S. Treasury obligations are classified as available-for-sale and carried at fair value. The net unrealized gain (loss) at December 31, 1996 and 1995 (presented as components of partners' capital) was $(2,268) and $15,556, respectively. Contractual maturities (including accrued interest) of the securities at December 31, 1996 and 1995 are as follows:

	1996	1995
Within 1 year	$ 621,148	$1,489,068
1 to 2 years	1,498,048	3,401,413
	$2,119,196	$4,890,481

Accrued interest included in the investment in U.S. Treasury obligations totals $29,731 and $63,582 at December 31, 1996 and 1995, respectively.

(e) Fair Value of Financial Instruments

Effective for years ended after December 15, 1995, Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments", as amended, requires certain entities to disclose the fair value of specified financial instruments for which it is practicable to estimate that value. The fair value of the investment in U.S. Treasury obligations is presented in Note 4(d). It was not practicable to estimate the fair value of notes and loans receivable because quoted market prices do not exist and estimates could not be made through other means without incurring excessive costs.

(Continued)

1740 BROADWAY ASSOCIATES, L.P.

NOTES TO FINANCIAL STATEMENTS

4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Income Taxes

The Partnership is not a taxpaying entity for income tax purposes and, accordingly, no provision has been made for income taxes. The partners' allocable shares of the Partnership's taxable income or loss are reportable on their income tax returns.

(g) Cash and Short-Term Investments

The Partnership considers all highly liquid investments with a maturity of three months or less when purchased to be short-term investments.

Cash balances of approximately $4,180,000 and $1,956,000 at December 31, 1996 and 1995, respectively, are maintained in one bank, generally in interest-bearing accounts, and are insured by the Federal Deposit Insurance Corporation up to a maximum of $100,000.

5 - PROPERTY AND IMPROVEMENTS

	1996	1995
Land	$ 20,520,077	$ 20,520,077
Building	86,722,856	86,722,856
Building improvements	3,009,502	1,435,392
Tenant improvements	4,384,732	4,384,732
Furniture and equipment	40,692	40,692
Improvements in progress	149,977	870,624
	114,827,836	113,974,373
Less - Accumulated depreciation and amortization	18,085,937	14,957,089
	$ 96,741,899	$ 99,017,284

(Continued)

1740 BROADWAY ASSOCIATES, L.P.

NOTES TO FINANCIAL STATEMENTS

6 - RECEIVABLES

	1996	1995
Receivable from tenants - billed and not collected	$ 112,097	$ 53,176
Lease cancellation (a)	677,797	--
Escalation accruals	175,571	286,821
Accrual required by FASB Statement No. 13 - Note 4(b)	9,504,880	7,464,586
Note receivable - tenant improvements (b)	167,323	182,524
Loan receivable (c)	1,444,799	1,589,002
Due from maintenance services company - Note 8(b)	19,032	96,091
Other	8,969	8,235
	$12,110,468	$ 9,680,435

(a) A lease cancellation agreement with a tenant, effective August 1, 1996, provides for payments by the tenant of $1,200,000 plus 17 monthly payments of $58,961. The total of the monthly payments, $1,002,328, was recorded at its present value at August 1, 1996, assuming an 8% interest rate.

(b) Matures on September 1, 2003 and requires monthly payments of $3,024 including interest at 12% a year.

(c) The loan, which is receivable from the subtenant described in Note 7, matures on February 1, 2001 and requires monthly payments of $23,790 including interest at 10% a year. The balance due at maturity will be approximately $737,000.

7 - TENANT ACQUISITION COSTS

Under the provisions of a leasing arrangement which commenced in November 1992, the Partnership has assumed the tenant's obligation under a pre-existing lease expiring in November 2000. The space was subleased as of April 28, 1993 for the full lease term. The Partnership's total estimated cost, net of sublease income, is $9,456,000, which is being amortized on a straight-line basis over the term of the tenant's lease with the Partnership, expiring December 2007.

(Continued)

1740 BROADWAY ASSOCIATES, L.P.

NOTES TO FINANCIAL STATEMENTS

8 - RELATED PARTY TRANSACTIONS

(a) Management and Leasing Services

Management and leasing services are provided to the Partnership by Mendik Realty Company, Inc. (MRC), whose controlling stockholder is also the controlling stockholder of Mendik 1740 Corp., a general partner of the Partnership. The annual management fee is 1% of rental receipts, as defined, increasing to 1-1/2% when payments of interest on the investment loans and distributions of net cash flow to the partners equal or exceed 9% of the outstanding investment loans and capital contributed, as defined. Leasing commissions are calculated in accordance with the management agreement and are generally consistent with industry guidelines.

Compensation for these services for the years ended December 31, 1996, 1995 and 1994 was as follows:

	1996	1995	1994
Management fees	$293,539	$298,509	$198,759
Leasing costs	300,597	285	55,712
	$594,136	$298,794	$254,471

The amount payable to MRC for leasing costs at December 31, 1996 was $30,506.

(b) Maintenance Services

Maintenance services for the property are provided at cost plus an allocable share of overhead expenses by a company that is controlled by the controlling stockholder of Mendik 1740 Corp. Services of the building engineers are provided at cost. Profits earned from direct tenant services are shared equally with the Partnership.

For the years ended December 31, 1996, 1995 and 1994, cleaning and related expenses were $1,712,745, $1,554,121 and $1,396,463, engineering and preventive maintenance was $505,151, $526,814 and $441,505, and the Partnership's share of the profits from tenant services was $82,848, $95,874 and $93,719, respectively. Amounts receivable from the maintenance services company were $19,032 and $96,091 at December 31, 1996 and 1995, respectively.

(Continued)

1740 BROADWAY ASSOCIATES, L.P.

NOTES TO FINANCIAL STATEMENTS

8 - RELATED PARTY TRANSACTIONS (Continued)

(c) Security Services

Security services for the property are provided at cost plus an allocable share of overhead expenses by a company whose stockholder is the controlling stockholder of Mendik 1740 Corp. Profits earned from direct tenant services are shared equally with the Partnership. Security services provided by this company for the years ended December 31, 1996, 1995 and 1994 were $345,432, $409,988 and $343,986, respectively.

9 - LEASE ARRANGEMENTS

Space in the building is rented to a large number of tenants under various lease agreements. These leases, which are classified as operating leases, include renewal options and provisions for additional rent based on increases in property taxes, operating expenses and utilities over base period amounts.

Approximate minimum future rentals required under operating leases at December 31, 1996, excluding rentals that are cancelable at the tenant's option, are summarized as follows:

Year Ending December 31,	
1997	$ 19,273,000
1998	14,592,000
1999	15,684,000
2000	14,926,000
2001	14,471,000
Thereafter	150,909,000
	$229,855,000

Escalations (contingent rentals) included in rental income were $1,321,308, $1,551,127 and $1,431,149 for the years ended December 31, 1996, 1995 and 1994, respectively.

(Continued)

9 - LEASE ARRANGEMENTS (Continued)

Approximately 41% of base rental income for the year ended December 31, 1995 was derived from an insurance company under several leases expiring between February 28, 1998 and December 31, 2002. Another tenant's annual base rent, under a lease expiring December 31, 1997, was approximately 12% of base rental income for 1995. A third tenant's annual base rent, under a lease expiring December 14, 2007, represented approximately 11% of base rental income.

Approximately 39% of base rental income for the year ended December 31, 1996 was derived from the insurance company under several leases expiring between February 28, 1998 and May 31, 2016. The second tenant mentioned above terminated its lease effective August 1, 1996, as described in Note 6(a). The third tenant accounted for approximately 13% of base rental income for 1996. All of these leases provide for additional rents based on increases in certain expenses over base period amounts.

10 - TENANTS' SECURITY DEPOSITS

In addition to cash deposits, the Partnership is holding letters of credit of $705,494 at December 31, 1996 and 1995 as tenants' security deposits pursuant to lease agreements.

11 - COMMITMENTS

The Partnership has agreed to reimburse a tenant up to a maximum of approximately $2,900,000 for Initial Tenant Changes, as defined. At December 31, 1996 and 1995, the Partnership has paid approximately $1,650,000 for such changes.

The Partnership has agreed to reimburse a second tenant approximately $5,050,000 for alterations on various areas. At December 31, 1996, only nominal costs have been incurred.

ANNEX D

866 U.N. PLAZA ASSOCIATES LLC
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

AND

INDEPENDENT AUDITORS' REPORT

866 U.N. PLAZA ASSOCIATES LLC

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

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[LETTERHEAD]
FRIEDMAN
ALPREN &
GREEN LLP
CERTIFIED PUBLIC ACCOUNTANTS

1700 BROADWAY
NEW YORK, NY 10019
212-582-1600
FAX 212-265-4761

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF 866 U.N. PLAZA ASSOCIATES LLC

We have audited the accompanying balance sheet of 866 U.N. PLAZA ASSOCIATES LLC (a limited liability company) as of December 31, 1996 and 1995, and the related statements of income, cash flows and changes in members' equity deficiency for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, the financial statements referred to above present fairly, in all material respects, the financial position of 866 U.N. PLAZA ASSOCIATES LLC as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

/S/ Friedman Alpren & Green LLP

January 15, 1997, except for
Note 2, as to which the date
is March 12,1997

866 U.N. PLAZA ASSOCIATES LLC

BALANCE SHEET

DECEMBER 31, 1996 AND 1995

	1996	1995
ASSETS		
Property and improvements - at cost, less accumulated depreciation and amortization - 1996 - $16,028,152; 1995 - $14,958,830 - Note 4	$ 13,420,975	$ 13,893,568
Cash and short-term investments	4,132,259	3,164,525
Investment in U.S. Treasury obligations and marketable security - Note 3	9,675,238	8,327,190
Receivables - Note 5	3,761,165	5,087,724
Prepaid leasing costs	1,606,397	1,851,500
Other prepayments	69,492	63,890
Unamortized mortgage costs	221,309	264,757
Tenants' security deposits - Note 9	444,401	343,124
	$ 33,331,236	$ 32,996,278
LIABILITIES AND MEMBERS' EQUITY DEFICIENCY		
Liabilities		
Mortgages payable - Note 6	$ 49,779,004	$ 49,729,004
Accrued mortgage interest payable	178,709	240,736
Accounts payable and accrued expenses	269,263	306,810
Improvements payable	52,887	36,083
Tenants' security deposits payable	444,401	343,124
	50,724,264	50,655,757
Commitment - Note 10	--	--
Members' equity deficiency	(17,393,028)	(17,659,479)
	$ 33,331,236	$ 32,996,278

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

866 U.N. PLAZA ASSOCIATES LLC

STATEMENT OF INCOME

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	1996	1995	1994
Revenues			
Rental income	$ 12,257,747	$ 12,234,046	$ 12,371,657
Lease cancellation income	13,915	138,230	19,878
Interest and dividends	607,161	645,681	545,947
Loss on sale of marketable securities, net	--	--	(49,700)
	12,878,823	13,017,957	12,887,782
Expenses			
Renting	21,463	23,660	17,442
Administrative	473,974	506,360	496,608
Operating	3,458,780	3,292,711	3,281,969
Real estate taxes	2,710,171	2,896,483	3,059,875
	6,664,388	6,719,214	6,855,894
Income before interest expense and depreciation and amortization	6,214,435	6,298,743	6,031,888
Interest expense	3,782,762	4,264,946	4,280,929
Income before depreciation and amortization	2,431,673	2,033,797	1,750,959
Depreciation and amortization	1,593,933	1,620,500	1,580,989
Net income	$ 837,740	$ 413,297	$ 169,970

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

866 U.N. PLAZA ASSOCIATES LLC

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	1996	1995	1994
Cash flows from operating activities			
Net income	$ 837,740	$ 413,297	$ 169,970
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization of fixed assets	1,069,322	1,083,537	1,079,105
Amortization of leasing and mortgage costs	524,613	536,963	501,884
Loss on sale of marketable securities	--	--	49,700
Changes in assets and liabilities			
Accrued interest receivable	(14,896)	9,807	(71,984)
Receivables	416,059	328,460	(439,653)
Prepaid leasing costs	(155,290)	(250,145)	(107,116)
Other prepayments	(18,092)	(29,856)	(12,084)
Accrued mortgage interest payable	(62,027)	81,341	(91,385)
Accounts payable and accrued expenses	(37,547)	77,451	(11,605)
Leasing costs payable	--	(11,504)	(156,288)
Tenants' security deposits	(101,277)	(12,551)	(7,213)
Tenants' security deposits payable	101,277	12,551	7,213
Net cash provided by operating activities	2,559,882	2,239,351	910,544
Cash flows from investing activities			
Acquisition of property and improvements	(763,396)	(1,135,328)	(1,350,403)
Con Edison rebate - improvements	166,667	--	--
Receivable from cooperative apartment corporations - improvements	910,500	(910,500)	--
Escrow deposits - tenant improvements	16,804	368,154	818,240
Purchase of U.S. Treasury obligations	(8,008,823)	(6,734,506)	(9,159,490)
Sale and redemption of U.S. Treasury obligations	6,576,416	7,248,382	6,764,960
Purchase of marketable debt security	(32,032)	(317,017)	--
Sale of marketable securities	--	--	2,586,618
Net cash used in investing activities	(1,133,864)	(1,480,815)	(340,075)
Cash flows from financing activities			
Mortgage principal payments - Equitable	--	(62,305)	(65,926)
Mortgage payable - Sumitomo	50,000	--	--
Mortgage costs	(68,282)	--	(3,964)
Distributions to members	(440,002)	(440,002)	(330,000)
Net cash used in financing activities	(458,284)	(502,307)	(399,890)
Net increase in cash and short-term investments	967,734	256,229	170,579
Cash and short-term investments, beginning of year	3,164,525	2,908,296	2,737,717
Cash and short-term investments, end of year	$ 4,132,259	$ 3,164,525	$ 2,908,296
Supplemental cash flow disclosures			
Interest paid	$ 3,844,789	$ 4,183,605	$ 4,372,314

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

866 U.N. PLAZA ASSOCIATES LLC

STATEMENT OF CHANGES IN MEMBERS' EQUITY DEFICIENCY

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	Total	The Mendik Company, L.P.	Lawrence E. Goldschmidt	Menby Associates	Ambassador Construction Co., Inc.	Madlyn Braverman
Balance, December 31, 1993	$(17,658,190)	$(6,586,773)	$(1,162,382)	$(7,206,844)	$(540,026)	$(486,542)
Net income	169,970	72,237	12,748	61,810	4,632	4,173
Distributions	(330,000)	(140,250)	(24,750)	(120,003)	(8,993)	(8,102)
Unrealized loss on U.S. Treasury obligations	(275,318)	(117,010)	(20,649)	(100,120)	(7,503)	(6,759)
Balance, December 31, 1994	(18,093,538)	(6,771,796)	(1,195,033)	(7,365,157)	(551,890)	(497,230)
Net income	413,297	175,650	30,998	150,297	11,264	10,147
Distributions	(440,002)	(187,001)	(33,000)	(160,006)	(11,990)	(10,802)
Reversal of prior year unrealized loss on U.S. Treasury obligations	275,318	117,010	20,649	100,120	7,503	6,759
Unrealized gain on U.S. Treasury obligations	185,446	78,814	13,909	67,438	5,054	4,553
Balance, December 31, 1995	(17,659,479)	(6,587,323)	(1,162,477)	(7,207,308)	(540,059)	(486,573)
Net income	837,740	356,040	62,831	304,602	22,870	20,525
Distributions	(440,002)	(187,001)	(33,000)	(160,006)	(11,990)	(10,802)
Reversal of prior year unrealized gain on U.S. Treasury obligations	(185,446)	(78,814)	(13,909)	(67,438)	(5,054)	(4,553)
Unrealized gain on U.S. Treasury obligations	54,159	23,017	4,062	19,693	1,478	1,327
Balance, December 31, 1996	$(17,393,028)	$(6,474,081)	$(1,142,493)	$(7,110,457)	$(532,755)	$(480,076)

	Leonard A. Lauder	Ronald S. Lauder	Jesse Fierstein	Bernard H. Mendik	Vicki A. Albert
Balance, December 31, 1993	$(180,360)	$(180,360)	$(486,542)	$(774,878)	$(53,483)
Net income	1,546	1,546	4,173	6,646	459
Distributions	(3,003)	(3,003)	(8,102)	(12,903)	(891)
Unrealized loss on U.S. Treasury obligations	(2,505)	(2,505)	(6,759)	(10,765)	(743)
Balance, December 31, 1994	(184,322)	(184,322)	(497,230)	(791,900)	(54,658)
Net income	3,760	3,760	10,147	16,160	1,114
Distributions	(4,004)	(4,004)	(10,802)	(17,205)	(1,188)
Reversal of prior year unrealized loss on U.S. Treasury obligations	2,505	2,505	6,759	10,765	743
Unrealized gain on U.S. Treasury obligations	1,687	1,687	4,553	7,251	500
Balance, December 31, 1995	(180,374)	(180,374)	(486,573)	(774,929)	(53,489)
Net income	7,623	7,623	20,608	32,756	2,262
Distributions	(4,004)	(4,004)	(10,802)	(17,205)	(1,188)
Reversal of prior year unrealized gain on U.S. Treasury obligations	(1,687)	(1,687)	(4,553)	(7,251)	(500)

Unrealized gain on U.S. Treasury obligations	493	493	1,332	2,118	146
Balance, December 31, 1996	$(177,949)	$(177,949)	$(479,988)	$(764,511)	$(52,769)

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

866 U.N. PLAZA ASSOCIATES LLC

NOTES TO FINANCIAL STATEMENTS

1 - ORGANIZATION

In 1978, 866 U.N. Plaza Associates (a general partnership) was organized and acquired the commercial property located at 866 United Nations Plaza, New York, New York. Most of the space in the building is generally leased to missions to the United Nations.

Effective September 8, 1995, the Partnership converted to a limited liability company. Ownership percentages were unchanged by the conversion, and the Partnership's income tax basis for assets and liabilities carried over to the limited liability company. Amounts previously designated as partners' capital deficiency have been reclassified to members' equity deficiency for comparative purposes.

2 - TRANSFER OF OWNERSHIP

Pursuant to a solicitation contained in a private placement memorandum dated November 11, 1996, the Company obtained the consent of its members to participate in an offering of shares of common stock in accordance with a preliminary registration statement filed with the Securities and Exchange Commission on December 18, 1996. On March 12, 1997, the Company entered into an agreement with Vornado Realty Trust, a publicly traded real estate investment trust ("REIT"). The members will be resolicited to obtain their consents to participate in this transaction, under terms and conditions similar to those stated in the private placement memorandum dated November 11, 1996. The REIT is a fully integrated, self-administered and self-managed real estate company which has qualified as a real estate investment trust for Federal income tax purposes. Upon completion of the transaction, it is anticipated that the Company will be owned by a company controlled by the REIT.

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

(Continued)

866 U.N. PLAZA ASSOCIATES LLC

NOTES TO FINANCIAL STATEMENTS

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Rental Income

Leases are classified as operating leases in accordance with the provisions of Financial Accounting Standards Board (FASB) Statement No. 13. One of these provisions requires the recognition of scheduled rent increases and deferred rent concessions on a straight-line basis over the lease term. Included in rental income for the years ended December 31, 1996, 1995 and 1994 is $(343,598), $47,159 and $292,589, respectively, representing the accrual (reduction) required by this provision (see Note 5).

(c) Depreciation and Amortization

Property and improvements are stated at cost. Depreciation and amortization is computed over estimated useful asset lives or periods, primarily on the straight-line basis.

Details are as follows:

Asset	Asset Lives or Periods
Building	Lives of the building's components, ranging from 3 to 30 years
Building improvements	15 to 39 years
Furniture and equipment	5 to 7 years
Tenant improvements	Term of related lease
Leasing costs	Term of related lease
Mortgage costs	Term of mortgage

(Continued)

866 U.N. PLAZA ASSOCIATES LLC

NOTES TO FINANCIAL STATEMENTS

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investment in U.S. Treasury Obligations and Marketable Security

U.S. Treasury obligations and the marketable security are classified as available-for-sale in accordance with the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", and are carried at fair value. The net unrealized gain (loss) at December 31, 1996, 1995 and 1994 (presented as a component of members' equity deficiency) was $54,159, $185,446 and $(275,318), respectively. Contractual maturities (including accrued interest) of the U.S. Treasury obligations at December 31, 1996 and 1995 are as follows:

	1996	1995
Within 1 year	$1,822,539	$1,233,539
1 to 4 years	7,491,226	6,776,634
	$9,313,765	$8,010,173

Accrued interest included in the investment in U.S. Treasury obligations is $125,512 and $106,407 at December 31, 1996 and 1995, respectively.

The fair value of the marketable security, an investment in a mutual fund, was $361,473 and $317,017 at December 31, 1996 and 1995, respectively.

(e) Fair Value of Financial Instruments

Effective for years ended after December 15, 1995, Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments", as amended, requires certain entities to disclose the fair value of specified financial instruments for which it is practicable to estimate that value. The fair value of the U.S. Treasury Bill and U.S. government discount notes included in short-term investments approximates carrying value. The fair values of the investment in U.S. Treasury obligations and the investment in the marketable security are presented in Note 3(d). It was not practicable to estimate the fair value of the mortgages payable at December 31, 1996 and 1995 because quoted market prices do not exist and estimates could not be made through other means without incurring excessive costs.

(Continued)

866 U.N. PLAZA ASSOCIATES LLC

NOTES TO FINANCIAL STATEMENTS

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Income Taxes

The Company is not a taxpaying entity for income tax purposes and, accordingly, no provision has been made for income taxes. The members' allocable shares of the Company 's taxable income or loss are reportable on their income tax returns.

(g) Cash and Short-Term Investments

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be short-term investments.

Cash balances of approximately $3,827,000 and $1,958,000 at December 31, 1996 and 1995, respectively, are maintained in one bank and are insured by the Federal Deposit Insurance Corporation up to a maximum of $100,000. Short-term investments at December 31, 1995 include a U.S. Treasury Bill with a cost of approximately $1,035,000.

4 - PROPERTY AND IMPROVEMENTS

	1996	1995
Land	$ 4,279,686	$ 4,279,686
Building	12,210,181	12,210,181
Building improvements	3,120,210	3,105,450
Tenant improvements	8,530,973	7,968,075
Furniture and equipment	443,832	443,832
Improvements in progress	864,245	845,174
	29,449,127	28,852,398
Less - Accumulated depreciation and amortization	16,028,152	14,958,830
	$13,420,975	$13,893,568

(Continued)

866 U.N. PLAZA ASSOCIATES LLC

NOTES TO FINANCIAL STATEMENTS

5 - RECEIVABLES

	1996	1995
Receivable from tenants		
Billed and not collected	$ 88,399	$ 155,615
Escalation accruals	82,368	10,627
Accruals required by FASB		
Statement No. 13 - Note 3(b)	3,459,423	3,803,021
Cooperative apartment corporations		
860 West Tower, Inc.	80,768	512,609
870 East Tower, Inc.	50,207	480,084
Due from maintenance services		
company - Note 7(b)	--	125,768
	$3,761,165	$5,087,724

6 - MORTGAGES PAYABLE

	1996	1995
Sumitomo Trust and Banking Co., Ltd. (a)	$49,779,004	$40,000,000
The Equitable Life Assurance		
Society of the United States (b)	--	9,729,004
	$49,779,004	$49,729,004

(a) A credit facility of up to $50,000,000 exists with Sumitomo. The facility is to be used as follows: (i) for working capital, tenant improvements, leasing commissions and other purposes as determined by the Company, (ii) to pay mortgage recording fees and taxes on additional mortgages under this facility.

The mortgage constitutes a first mortgage lien on the land and a second mortgage lien on the building and improvements and matures on December 14, 1998, unless extended by the borrower to December 14, 2000. On January 2, 1996, in conjunction with the final advance under the credit facility to purchase the Equitable mortgage, the existing mortgages were consolidated to form a single first mortgage on the property.

(Continued)

866 U.N. PLAZA ASSOCIATES LLC

NOTES TO FINANCIAL STATEMENTS

6 - MORTGAGES PAYABLE (Continued)

Interest is payable monthly at either the LIBOR rate or a fixed rate option. The fixed rate option has been chosen as indicated until December 14, 1998: $15,000,000 at 6.72%, $15,000,000 at 9.45%, $2,000,000 at 9.87%, $1,000,000 at 9.25%, $7,000,000 at 6.75% and $9,779,004 at 6.10%.

(b) The first mortgage lien on the building and improvements, dated December 19, 1985, matured on January 1, 1996 and required monthly payments of $96,180, including interest at 11-1/8%. On January 2, 1996, the mortgage was purchased by Sumitomo Trust and Banking Co., Ltd.

7 - RELATED PARTY TRANSACTIONS

(a) Management and Leasing Services

Management and leasing services are provided to the Company by Mendik Realty Company, Inc., which is a general partner of The Mendik Company, L.P., a member of the Company. The annual management fee is 2-1/2% of gross collections. Leasing commissions are calculated according to industry guidelines.

A summary of the compensation for these services for the years ended December 31, 1996, 1995 and 1994 is as follows:

	1996	1995	1994
Management fees	$329,099	$278,520	$334,073
Leasing costs	102,285	134,490	73,732
	$431,384	$413,010	$407,805

(b) Maintenance Services

Maintenance services for the property are provided at cost plus an allocable share of overhead expenses by a company controlled by a general partner of The Mendik Company, L.P. Services of building engineers are provided at cost. Profits earned from direct tenant services are shared with the Company.

(Continued)

866 U.N. PLAZA ASSOCIATES LLC

NOTES TO FINANCIAL STATEMENTS

7 - RELATED PARTY TRANSACTIONS (Continued)

(b) Maintenance Services (Continued)

For the years ended December 31, 1996, 1995 and 1994, cleaning and related services were $1,242,097, $1,104,670 and $1,115,881, engineering and preventive maintenance services were $963,120, $1,029,500 and $889,136, and the Company's share of profits from tenant services was $26,801, $29,629 and $44,174, respectively. The amount payable to the maintenance services company at December 31, 1996 was $5,467. The amount receivable from the maintenance services company at December 31, 1995 was $125,768.

(c) Security Services

Security services for the property are provided at cost plus an allocable share of overhead expenses by a company whose stockholder is a general partner of The Mendik Company, L.P. Profits earned from direct tenant services are shared with the Company. Security services for the years ended December 31, 1996, 1995 and 1994 were $339,494, $332,503 and $323,776, respectively.

(d) Construction Services

Ambassador Construction Co., Inc., a member of the Company, provides construction and related services for the property. Costs for the years ended December 31, 1996, 1995 and 1994 were $162,748, $385,242 and $1,033,380, respectively.

8 - LEASE ARRANGEMENTS

Space in the building is rented to a large number of tenants under various lease agreements. These leases, which are classified as operating leases, include renewal options and provisions for additional rent based on increases in real estate taxes, operating expenses or porter wage rates, utilities and the Consumer Price Index over base period amounts.

(Continued)

866 U.N. PLAZA ASSOCIATES LLC

NOTES TO FINANCIAL STATEMENTS

8 - LEASE ARRANGEMENTS (Continued)

Approximate minimum future rentals required under operating leases at December 31, 1996, excluding rentals that are cancelable at the tenant's option, are summarized as follows:

Year Ending December 31,	
1997	$ 9,849,000
1998	7,430,000
1999	6,601,000
2000	5,765,000
2001	5,275,000
Thereafter	17,061,000
	$51,981,000

Escalations (contingent rentals) included in rental income were $773,995, $808,437 and $1,030,647 for the years ended December 31, 1996, 1995 and 1994, respectively.

Approximately 21% of base rental income is derived from a tenant whose lease expires October 30, 1997 and whose base rent is approximately $2,200,000. Another tenant's lease, which provides for an annual base rent of approximately $1,092,000 (approximately 10% of base rental income), expires March 31, 2006.

9 - TENANTS' SECURITY DEPOSITS

In addition to cash deposits, the Company is holding letters of credit of $109,840 at December 31, 1996 and 1995, pursuant to lease agreements.

(Continued)

866 U.N. PLAZA ASSOCIATES LLC

NOTES TO FINANCIAL STATEMENTS

10 - COMMITMENT

The Company is in the process of installing new state-of-the-art air conditioning equipment in the property. The total cost of the project will be approximately $3,600,000, of which approximately $500,000 will be funded by a Con Edison rebate program. In addition, the cooperative apartment corporations will fund approximately $2,070,000, representing two-thirds of the balance. The net cost of the project to the Company will be approximately $1,030,000.

At December 31, 1996, approximately $3,073,000 of the total cost of the project has been incurred, of which $1,725,000 has been billed to the cooperative apartment corporations. At December 31, 1995, approximately $1,400,000 had been incurred, of which $910,000 had been billed to the cooperative apartment corporations.

Two Park Company
(A New York General Partnership)

Financial Statements
December 31, 1996 and 1995

[KPMG PEAT MARWICK LLP LETTERHEAD]

Independent Auditors' Report

The Partners
Two Park Company:

We have audited the accompanying balance sheets of Two Park Company (a New York general partnership) as of December 31, 1996 and 1995, and the related statements of operations, changes in partners' capital and cash flows for each of the years in the three-year period ended December 31, 1996. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, the financial statements referred to above present fairly, in all material respects, the financial position of Two Park Company as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ KPMG Pear Marwick LLP

March 14, 1997

BALANCE SHEETS	AT DECEMBER 31, 1996	AT DECEMBER 31, 1995
ASSETS		
Property and improvements (Note 4)	$ 99,905,783	$153,245,733
Cash and cash equivalents	3,685,644	2,993,717
Restricted cash	450,398	594,200
U.S. Treasuries and Agencies, net of unamortized premium of $1,604 in 1996 and $20,373 in 1995	2,121,910	2,458,794
Rent and other receivables net of allowance for doubtful accounts of $118,611 in 1996 and $65,009 in 1995	411,588	505,539
Deferred rent receivable	9,907,586	7,831,616
Leasing costs, less accumulated amortization of $4,521,623 in 1996 and $3,662,905 in 1995	6,701,968	7,561,649
Mortgage costs, less accumulated amortization of $1,563,160 in 1996 and $1,587,661 in 1995	325,509	576,103
Other assets	285,128	307,444
TOTAL ASSETS	$123,795,514	$176,074,795
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Mortgages payable (Note 6)	$ 65,000,000	$ 65,000,000
Accrued interest payable	553,263	553,263
Accounts payable and accrued expenses	358,088	398,477
Due to affiliates (Note 7)	706,714	847,058
Security deposits payable	450,398	594,200
Improvements payable	31,007	227,289
Deferred rental income	6,515,337	7,355,711
Total Liabilities	73,614,807	74,975,998
Partners' Capital	50,180,707	101,098,797
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$123,795,514	$176,074,795

STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	TOTAL	M/H TWO PARK ASSOCIATES	B & B PARK AVENUE LP
BALANCE AT DECEMBER 31, 1993	$ 107,149,063	$ 64,285,838	$ 42,863,225
Net loss	(3,344,017)	(2,006,410)	(1,337,607)
BALANCE AT DECEMBER 31, 1994	$ 103,805,046	$ 62,279,428	$ 41,525,618
Net loss	(2,706,249)	(1,623,749)	(1,082,500)
BALANCE AT DECEMBER 31, 1995	$ 101,098,797	$ 60,655,679	$ 40,443,118
Net loss	(50,918,090)	(30,550,854)	(20,367,236)
BALANCE AT DECEMBER 31, 1996	$ 50,180,707	$ 30,104,825	$ 20,075,882

See accompanying notes to the financial statements.

STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31,	1996	1995	1994
INCOME			
Rental	$ 23,143,570	$ 21,387,332	$ 19,813,810
Tenant expense reimbursements	2,106,736	2,369,564	2,857,458
Interest	207,478	138,906	219,612
Total income	25,457,784	23,895,802	22,890,880
EXPENSES			
Operating	6,736,363	6,879,327	6,629,875
Depreciation and amortization	8,194,646	7,548,566	7,026,980
Real estate taxes	3,949,017	3,905,082	4,161,549
Interest expense	6,532,083	7,533,674	7,619,110
Administrative	779,205	703,006	772,086
Renting	36,004	32,396	25,297
Provision for write-down of property and improvements	50,148,556	--	--
Total expenses	76,375,874	26,602,051	26,234,897
NET LOSS	$(50,918,090)	$ (2,706,249)	$ (3,344,017)

See accompanying notes to the financial statements.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,	1996	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss	$(50,918,090)	$ (2,706,249)	$(3,344,017)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Provision for write-down of property and improvements	50,148,556	--	--
Depreciation and amortization	8,194,646	7,548,565	7,026,980
Net premium (discount) amortization - U.S. Treasuries and agencies	(25,350)	50,092	(32,175)
Provision for losses on rents and receivables	--	--	384,916
Increase (decrease) in cash arising from changes in operating assets and liabilities:			
Restricted cash	143,802	(19,910)	(31,857)
Rent and other receivables	93,951	13,885	(388,444)
Deferred rent receivable	(2,075,970)	5,113,158	(234,949)
Leasing costs	(112,770)	(2,663,345)	(1,123,135)
Other assets	22,316	(233,431)	170,569
Accrued interest payable	--	(91,494)	27,617
Accounts payable and accrued expenses	(40,389)	(174,707)	203,374
Due to affiliates	(140,344)	411,377	345,526
Security deposits payable	(143,802)	19,910	31,857
Deferred income	(840,374)	7,281,441	(158,457)
Net cash provided by operating activities	4,306,182	14,549,292	2,877,805
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and improvements	(3,976,489)	(5,651,860)	(4,147,411)
Acquisition of U.S. Treasuries and Agencies	(3,021,038)	(3,574,183)	(4,659,415)
Redemption of U.S. Treasuries and Agencies	3,383,272	4,074,449	4,565,357
Net cash used for investing activities	(3,614,255)	(5,151,594)	(4,241,469)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on mortgages payable	--	(10,000,000)	--
Net cash used for financing activities	--	(10,000,000)	--
Net increase (decrease) in cash and cash equivalents	691,927	(602,302)	(1,363,664)
Cash and cash equivalents, beginning of period	2,993,717	3,596,019	4,959,683
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 3,685,644	$ 2,993,717	$ 3,596,019
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the period for interest	$ 6,532,083	$ 7,625,168	$ 7,591,493

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1996, 1995 AND 1994

1. ORGANIZATION

Two Park Company, a New York general partnership (the "Partnership"), was organized on December 18, 1986 for the purpose of acquiring, maintaining and operating the property located at Two Park Avenue, New York, New York (the "Property"). The Property is a 28-story office building that contains approximately 948,000 net rentable square feet. The building includes two lower levels consisting of a subway concourse, a small tenant garage containing approximately 43 spaces, rentable storage areas and mechanical facilities. The Property was acquired on December 22, 1986.

2. THE PARTNERSHIP AGREEMENT

CAPITAL CONTRIBUTIONS Capital contributions have been funded 60% by M/H Two Park Associates and 40% by B&B Park Avenue L.P. Additional capital contributions as required will be funded in the same ratio.

DISTRIBUTIONS Cash flow, as defined in the Partnership Agreement, is to be distributed within 10 days after each fiscal quarter in the same ratio as the capital contributions.

ALLOCATION OF NET INCOME AND NET LOSS Net income and net loss are to be allocated in accordance with the "Distribution Percentages" as long as capital account balances are positive. Otherwise net loss is allocated as follows; first, to the extent of positive capital account balances in accordance with the distribution percentages, then to the partner, if any, whose account balance is positive until such capital account is reduced to zero and then in accordance with the distribution percentages.

ALLOCATION OF GAINS AND LOSSES FROM CAPITAL TRANSACTIONS These items are to be allocated first to increase or decrease the capital accounts to zero and then in accordance with the distribution percentages.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

RENTAL INCOME AND DEFERRED RENT The Partnership rents its property to tenants under operating leases with various terms. Deferred rent receivable and deferred rental income consist of rental income which is recognized on the straight-line basis over the lease terms in accordance with the provisions of Statement of Financial Accounting Standards No. 13 "Accounting for Leases".

REAL ESTATE Property and improvements are stated at cost less accumulated depreciation and amortization and less any write-down for impairment in carrying value. Depreciation and amortization charges are computed using the straight-line method over the following estimated useful asset lives:

Asset	Useful Asset Life
Building	35 years
Building improvements	31-1/2 years
Tenant improvements	Term of related lease
Furniture, fixtures and equipment	5-7 years

ACCOUNTING FOR IMPAIRMENT In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("FAS 121"), which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. FAS 121 also addresses the accounting for long lived assets that are expected to be disposed of. The Partnership adopted FAS 121 in the fourth quarter of 1995.

FAIR VALUE OF FINANCIAL INSTRUMENTS Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" ("FAS 107"), requires the Partnership disclose the estimated fair values of its financial instruments. Fair values generally represent estimates of amounts at which a financial instrument could be exchanged between willing parties in a current transaction other than in a forced liquidation.

Fair value estimates are subjective and are dependent on a number of significant assumptions based on management's judgement regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. In addition, FAS 107 allows a wide range of valuation techniques, therefore, comparisons between entities, however similar, may be difficult.

LEASING COSTS Leasing costs are capitalized and amortized over the terms of the respective leases.

MORTGAGE COSTS Mortgage costs are capitalized and amortized over the terms of the mortgages payable.

INCOME TAXES The Partnership allocates all profits, losses and other taxable items to the partners. No provision for income taxes is made in the financial statements as the liabilities for such taxes are those of the partners rather than the Partnership.

RESTRICTED CASH Restricted cash consists of tenant security deposits.

CASH EQUIVALENTS Cash equivalents consist of short-term, highly liquid investments which have maturities of three months or less from the date of issuance. The carrying value approximates the fair value of these assets because of the short maturity of these instruments.

MARKETABLE SECURITIES Marketable securities, which consist of United States Treasury securities and Agencies, are carried at amortized cost, which approximates market.

USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles 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 period. Management's review of recoverability of the carrying amount of the Property and related accounts is one such estimate. Actual results could differ from those estimates.

4. PROPERTY AND IMPROVEMENTS
A summary of property and improvements follows:

	1996	1995
Land	$ 17,389,411	$ 26,118,173
Building and improvements	69,188,976	142,995,340
Tenant improvements	13,244,146	30,436,260
Furniture, fixtures & equipment	83,250	1,478,302
	99,905,783	201,028,075
Less - Accumulated depreciation and amortization	--	(47,782,342)
Property and improvements	$ 99,905,783	$ 153,245,733
Leasing costs	6,701,968	7,561,649
Deferred rent receivable	9,907,586	7,831,616
Deferred rental income	(6,515,337)	(7,355,711)
	$ 110,000,000	$ 161,283,287

At December 31, 1996 and 1995, the Partnership completed reviews of recoverability of the carrying amount of the Property and related accounts based upon estimated undiscounted cash flows expected to result from the Property's use and eventual disposition. As of December 31, 1995, it was management's intention to hold the Property for long-term investment and, therefore management concluded that the sum of the undiscounted future cash flows estimated to be generated by the Property over the investment's estimated holding period was greater than its carrying value.

Based upon continued improvements in the Midtown Manhattan commercial real estate market in 1996, management reassessed their investment strategy. Currently, management anticipates positioning the Property for sale over the next 12 to 24 months and, as a result, the sum of the undiscounted future cash flow estimated to be generated by the Property over this shorter holding period is less than its carrying value. Based on the guidance of FAS 121, the Partnership recorded a provision of $50,148,556 to reduce the Property's carrying value to its estimated fair value of $110,000,000 at December 31, 1996. The fair value was obtained from an appraisal report prepared by an independent appraiser.

5. TENANTS' SECURITY

Additional security pledged in the form of letters of credit and U.S. Treasury Notes of approximately $1,605,980 have been established by various tenants as security for payments due under their leases.

6. MORTGAGES PAYABLE

A summary of mortgages payable to a lender follows:

	1996	1995
9.75% mortgage note	$60,000,000	$60,000,000
11.50% mortgage note	5,000,000	5,000,000
	$65,000,000	$65,000,000

The $60,000,000 first mortgage is for a term of twelve years and accrues interest at the rate of 9.75% per annum. Interest only is payable in monthly installments until the maturity date (December 19, 1998) at which time the full amount of principal and any accrued interest shall be due and payable. On June 15, 1989, the Partnership placed a second mortgage on the Property in the amount of $10,000,000. Interest only was payable in monthly installments at a rate of 10.791% through June 15, 1992 and thereafter at the rate of 10.625% through December 19, 1998 at which time the full amount of principal and any accrued interest would have been due and payable. In November 1995, the Partnership prepaid, without penalty, the $10,000,000 second mortgage from proceeds received from a tenant under a lease extension agreement. On December 26, 1990, the Partnership placed a third mortgage on the Property in the amount of $5,000,000. Interest only is payable in monthly installments at a rate of 11.5% through its maturity date (December 19, 1998) at which time the full amount of principal and any accrued interest shall be due and payable.

The lender has the right to accelerate the maturity date of the mortgages to a date not earlier than December 31, 1996, upon at least 180 days prior notice (June 19, 1996). Effective January 1, 1995, the loans are payable to Portfolio U Holdings Corporation, a sole stockholder of a general partner and a limited partner in B & B Park Avenue L.P.

Based on the maturity date and call feature of the mortgage notes, the fair value of the mortgages payable approximates their carrying value.

7. RELATED PARTY TRANSACTIONS

MANAGEMENT SERVICES Management services are provided by Mendik Realty Company, Inc. ("MRC"), an affiliate of a general partner of each of the partners in the Partnership. The annual management fee is 2% of gross operating revenues, as defined. Management fees for the years ended December 31, 1996, 1995 and 1994 were $494,916, $444,572 and $448,433, respectively.

LEASING SERVICES Leasing services are provided to the Partnership by MRC and other unaffiliated brokers. Leasing commissions are calculated in accordance with the management agreement and are generally consistent with industry guidelines; however, a 25% override is payable to MRC when an unaffiliated broker is used. If the cost of all leasing services exceeds 3% of gross operating revenue, as defined, the fees otherwise payable to MRC will be deferred and payable only if such 3% limit is not exceeded in any subsequent year. No leasing commissions were paid during the years ended December 31, 1996, 1995 and 1994. The deferred liabilities to MRC as of December 31, 1996 and 1995 were approximately $706,714 and $610,877, respectively.

MAINTENANCE SERVICES Building Maintenance Service LLC, ("BMS"), an affiliate of a general partner of each of the partners of the Partnership, provides cleaning and related services and metal and marble cleaning services to the Partnership. These services, provided by BMS at its cost (plus an allocable share of overhead expenses), totalled $2,477,553, $2,620,086 and $2,304,719 for the years ended December 31, 1996, 1995 and 1994, respectively. In addition, BMS provides engineering services to the Partnership. The salaries and benefits of the Property's engineering staff totalled $451,654, $494,647 and $464,818 for the years ended December 31, 1996, 1995 and 1994, respectively.

SECURITY SERVICES Guard Management Service Corporation, an affiliate of a general partner of each of the partners of the Partnership, provides security services to the Partnership at its cost (plus an allocable share of overhead expenses), totalling $300,951, $274,372 and $286,297 for the years ended December 31, 1996, 1995 and 1994, respectively.

8. RENTAL INCOME UNDER OPERATING LEASES
Space in the building is rented to tenants under various lease agreements. These leases, which are classified as operating leases, include renewal options and provisions for additional rent based on increases in real estate taxes, operating expenses and utilities over predetermined amounts. Future annual minimum rental payments to be received from operating leases (which are not cancellable by their terms) are summarized as follows:

Year Ending December 31,	Amount
1997	$ 20,552,245
1998	18,472,801
1999	16,143,353
2000	15,014,726
2001	15,902,106
Thereafter	112,024,128
	$198,109,359

The Property was 98%, 97% and 92% leased at December 31, 1996, 1995 and 1994, respectively. As of December 31, 1996, significant tenants of the office building are Times Mirror Company Inc. and Smith Barney. Times Mirror Company Inc. leases approximately 287,000 square feet under various leases scheduled to expire in 2010. Smith Barney leases approximately 100,000 square feet under a lease scheduled to expire in May 1998. The Times Mirror Company Inc. and Smith Barney leases generated 25% and 12%, respectively, of the Property's 1996 rental income.

9. COMMITMENTS
Pursuant to the terms of leases with various tenants, the Partnership is obligated to pay approximately $1.8 million of the cost of alterations to be made to the leased premises. As of December 31, 1996, approximately $1.4 million of these costs have been incurred.

B&B PARK AVENUE L.P.
(A LIMITED PARTNERSHIP)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

AND

INDEPENDENT AUDITORS' REPORT

B&B PARK AVENUE L.P.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

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INDEPENDENT AUDITORS' REPORT

TO THE PARTNERS OF B&B PARK AVENUE L.P.

We have audited the accompanying balance sheet of B&B PARK AVENUE L.P. (a limited partnership) as of December 31, 1996 and 1995, and the related statements of operations, cash flows and changes in partners' capital for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the managing general partner. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Two Park Company, a general partnership, the investment in which, as discussed in Note 4 to the financial statements, is accounted for by the equity method of accounting. The investment in Two Park Company was $17,935,304 and $17,543,118 as of December 31, 1996 and 1995, respectively, and the distributive share of its net income (loss) was $392,186, $(382,500) and $(637,607) for the years ended December 31, 1996, 1995 and 1994, respectively. The financial statements of Two Park Company were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Two Park Company, is based solely on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. 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 the managing general partner, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of B&B PARK AVENUE L.P. as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ FRIEDMAN ALPREN & GREEN LLP

January 15, 1997, except for
Note 2, as to which the date
is March 12, 1997

B&B PARK AVENUE L.P.

BALANCE SHEET

DECEMBER 31, 1996 AND 1995

	1996	1995
ASSETS		
Investment in Two Park Company - Notes 4 and 5	$17,935,304	$17,543,118
Cash	371	145,691
Due from maintenance services company - Note 6	712	78,064
	$17,936,387	$17,766,873
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities		
Accrued expenses	$ 9,200	$ 9,700
Partners' capital	17,927,187	17,757,173
	$17,936,387	$17,766,873

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

B&B PARK AVENUE L.P.

STATEMENT OF OPERATIONS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	1996	1995	1994
Revenues			
Distributive share of net income (loss) from Two Park Company	$ 392,186	$(382,500)	$(637,607)
Rebate, maintenance services company - Note 6	49,712	82,377	79,795
Interest income	3,612	1,044	--
	445,510	(299,079)	(557,812)
Expenses			
Professional fees	60,496	82,610	45,608
Net income (loss)	$ 385,014	$(381,689)	$(603,420)

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

B&B PARK AVENUE L.P.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	1996	1995	1994
Cash flows from operating activities			
Net income (loss)	$ 385,014	$(381,689)	$(603,420)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Distributive share of net (income) loss from Two Park Company	(392,186)	382,500	637,607
Changes in assets and liabilities			
Due from maintenance services company	77,352	(2,727)	(29)
Accrued expenses	(500)	(10,700)	15,400
Net cash provided by (used in) operating activities	69,680	(12,616)	49,558
Cash flows from financing activities			
Distributions to partners	(215,000)	--	--
Net decrease in cash	(145,320)	(12,616)	49,558
Cash, beginning of year	145,691	158,307	108,749
Cash, end of year	$ 371	$ 145,691	$ 158,307

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

B&B PARK AVENUE L.P.

STATEMENT OF CHANGES IN PARTNERS' CAPITAL

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

		General Partners		Limited Partners	
	Total	Nancy Creek, Inc.	Mendik Corporation	Carborundum Center Joint Venture	Bernard H. Mendik
Balance, December 31, 1993	$ 18,742,282	$ 58,492	$ (160,423)	$ 18,844,213	$ --
Net loss	(603,420)	(6,004)	(3,017)	(594,399)	--
Balance, December 31, 1994	18,138,862	52,488	(163,440)	18,249,814	--
Net loss	(381,689)	(3,798)	(1,908)	(375,983)	--
Balance, December 31, 1995	17,757,173	48,690	(165,348)	17,873,831	--
Net income	385,014	3,830	1,926	379,258	--
Distributions	(215,000)	(2,150)	--	(212,850)	--
Balance, December 31, 1996	$ 17,927,187	$ 50,370	$ (163,422)	$ 18,040,239	$ -0-

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

B&B PARK AVENUE L.P.

NOTES TO FINANCIAL STATEMENTS

1 - ORGANIZATION

B&B Park Avenue L.P., a Delaware limited partnership, was organized on December 15, 1986 to acquire a 40% general partnership interest in Two Park Company. The property located at Two Park Avenue, New York, New York was acquired by Two Park Company on December 22, 1986.

2 - TRANSFER OF OWNERSHIP

Pursuant to a solicitation contained in a private placement memorandum dated November 11, 1996, the Partnership obtained the consent of its partners to participate in an offering of shares of common stock in accordance with a preliminary registration statement filed with the Securities and Exchange Commission on December 18, 1996. On March 12, 1997, the managing general partner entered into an agreement with Vornado Realty Trust, a publicly traded real estate investment trust ("REIT"). The partners will be resolicited to obtain their consents to participate in this transaction, under terms and conditions similar to those stated in the private placement memorandum dated November 11, 1996. The REIT is a fully integrated, self-administered and self-managed real estate company which has qualified as a real estate investment trust for Federal income tax purposes. Upon completion of the transaction, it is anticipated that the Partnership will be owned by a company controlled by the REIT.

3 - THE PARTNERSHIP AGREEMENT

Capital Contributions

Of the total initial capital, $37,425,103 was contributed by Delaware Acres, Inc. (CLP) and $378,031 by New York Acres, Inc. (CGP). On September 30, 1992, the partnership interests of CLP and CGP were transferred to Carborundum Center Joint Venture (MGP) and Nancy Creek, Inc. (Nancy Creek), respectively. Additional capital contributions required for improvements and leasing costs of the property are to be contributed by MGP. Mendik Corporation (Mendco) and Bernard H. Mendik (Mendik) are not required to make cash contributions.

Distributions

Net cash from operations is to be distributed as follows: After repaying loans as required, 99% to MGP, until an amount equal to an 8% annual preferred return (as defined) has been received, and 1% to the general partners (as defined); then 99% to Mendik and 1% to Mendco until Mendik has received his special preferred return (as defined); then 85% to MGP, 14% to Mendik and 1% to the general partners until all distributions to Nancy Creek aggregate $200,000; all remaining cash: 85% to MGP, 14% to Mendik and 1% to Mendco.

(Continued)

B&B PARK AVENUE L.P.

NOTES TO FINANCIAL STATEMENTS

3 - THE PARTNERSHIP AGREEMENT (Continued)

Distributions (Continued)

Net proceeds from sales and refinancing will be distributed as follows: first, 99% to MGP and 1% to Nancy Creek until each has received an 8% cumulative return (as defined); then to MGP and Nancy Creek until each has received its adjusted total capital (as defined); then 99% to Mendik and 1% to Mendco until Mendik has received the unpaid special cumulative return (as defined); then 50% to Mendco and 50% to MGP until each has received its unpaid deferred incentive share (as defined); finally, the remainder, 79.17% to MGP, 20.33% to Mendik and .5% to Mendco.

Allocation of Loss or Income

Net losses will be allocated first to the extent that capital accounts exceed certain amounts, as defined. However, as this criterion does not presently exist, net losses are allocated .995% to Nancy Creek, 98.505% to MGP and .5% to Mendco.

Net income will generally be allocated in the same manner as cash is distributed.

4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The managing general partner uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Investment in Two Park Company

The investment in Two Park Company is recorded on the equity method, reflecting cost adjusted for the Partnership's interest in the net income or losses of, and distributions from, that partnership.

As of December 31, 1996, the managing general partner of Two Park Company concluded that the total estimated undiscounted future cash flow to be generated by its property, from operations and its eventual disposition, over an estimated holding period is less than its carrying value. As a result, Two Park Company recorded a write-down of $50,148,556 at December 31, 1996 to reduce the property's carrying value to its estimated fair value. The Partnership had previously determined that, prior to 1993, its investment in Two Park Company had declined in value and that such decline was deemed to be other than temporary. Accordingly, the investment was written down by $25,000,000 prior to 1993, and the Partnership's 1996 financial statements do not reflect its distributive share of the 1996 write-down by Two Park Company. The difference between the carrying amount

(Continued)

B&B PARK AVENUE L.P.

NOTES TO FINANCIAL STATEMENTS

4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in Two Park Company (Continued)

of the investment and the underlying equity in the investee is being amortized over the life of the property, with amortization being reflected as reductions in the distributive share of net losses from Two Park Company.

Income Taxes

The Partnership is not a taxpaying entity for income tax purposes and, accordingly, no provision has been made for income taxes. The partners' allocable shares of the Partnership's taxable income or loss are reportable on their income tax returns.

Concentration of Credit Risk for Cash

Cash at December 31, 1995 included approximately $18,000 in excess of amounts insured by the Federal Deposit Insurance Corporation.

5 - INVESTMENT IN TWO PARK COMPANY

Summarized financial information of Two Park Company is as follows:

	1996	1995
Balance Sheet		
Assets		
Property and improvements	$ 99,905,783	$ 153,245,733
Cash and short-term investments	6,257,952	6,046,711
Receivables	10,604,302	8,644,599
Prepaid expenses	6,701,968	7,561,649
Unamortized costs	325,509	576,103
	$ 123,795,514	$ 176,074,795
Liabilities and Partners' Capital		
Mortgage payable	$ 65,000,000	$ 65,000,000
Accrued interest payable	553,263	553,263
Accounts payable and accrued expenses	1,064,802	1,245,535
Security deposits payable	450,398	594,200
Deferred income	6,515,337	7,355,711
Improvements payable	31,007	227,289
Partners' capital	50,180,707	101,098,797
	$ 123,795,514	$ 176,074,795

(Continued)

5 - INVESTMENT IN TWO PARK COMPANY (Continued)

	1996	1995	1994
Statement of Operations			
Revenues	$ 25,457,784	$ 23,895,802	$ 22,890,880
Expenses	11,500,589	11,519,811	11,588,807
Income before interest expense, depreciation and amortization and write-down of property and improvements	13,957,195	12,375,991	11,302,073
Interest expense	6,532,083	7,533,674	7,619,110
Depreciation and amortization	8,194,646	7,548,566	7,026,980
Loss on write-down of property and improvements	50,148,556	--	--
	64,875,285	15,082,240	14,646,090
Net loss	$(50,918,090)	$ (2,706,249)	$ (3,344,017)

6 - RELATED PARTY TRANSACTION

Maintenance services for the Two Park Avenue property are provided by a company that is controlled by a stockholder of a general partner of the Partnership (Mendik). As defined in the maintenance contract, the Partnership is entitled to receive a 20% share of the profits realized by the maintenance services company from the performance of tenant services. The Partnership's share of profits realized from tenant services for the years ended December 31, 1996, 1995 and 1994 was $49,712, $82,377 and $79,795, respectively.

CONDENSED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION

The unaudited condensed consoliated pro forma financial information set forth below presents (i) the condensed consolidated pro forma statement of income for Vornado Realty Trust (the "Company") for the year ended December 31, 1996 as if the Mendik Transaction and certain related transactions were consummated and the Offering and the use of proceeds therefrom had occurred on January 1, 1996 and (ii) the condensed consolidated pro forma balance sheet of the Company as of December 31, 1996 as if the Mendik Transaction and certain related transactions were consummated and the Offering and the use of proceeds therefrom had occurred on December 31, 1996.

Historical Mendik financial information consists of (a) combined financial statements of entities owning the following properties: 11 Penn Plaza, 2 Penn Plaza, 866 U.N. Plaza and 1740 Broadway, (b) equity interests in entities owning 2 Park Avenue (40%), 570 Lexington Avenue (5.7%) and 330 Madison Avenue (24.75%) and (c) the Mendik Group.

The unaudited condensed consolidated pro forma financial information is not necessarily indicative of what the Company's actual results of operations or financial position would have been had the Mendik Transaction and related transactions been consummated and had the Offering and the use of proceeds therefrom occurred on the dates indicated, nor does it purport to represent the Company's results of operations or financial position for any future period.

The unaudited condensed consolidated pro forma financial information should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996 and the financial statements of the entities involved in the Mendik Transaction, incorporated herein by reference. In management's opinion, all adjustments necessary to reflect the Mendik Transaction and the related transactions and the Offering and the use of proceeds therefrom have been made.

CONDENSED CONSOLIDATED PRO FORMA BALANCE SHEET

DECEMBER 31, 1996
(Amounts in thousands)

	HISTORICAL VORNADO	HISTORICAL MENDIK	PRO FORMA ADJUSTMENTS		COMPANY PRO FORMA
ASSETS:					
Real estate, net	$246,249	$187,433	$389,000	(A)	$822,682
Cash and cash equivalents	117,245	50,654	(268,992)	(A)	63,499
			(50,908)	(A)	
			215,500	(B)	
Investment in and advances to Alexander's, Inc.	107,628				107,628
Investment in partnerships		19,863			19,863
Investment in Management Company			7,425	(A)	7,425
Officer's deferred compensation expense	22,917				22,917
Mortgage note receivable	17,000				17,000
Receivable arising from straight-lining of rents	17,052	42,219	(42,219)	(A)	17,052
Other assets	37,113	42,855	(6,908)	(A)	52,673
			(17,718)	(A)	
			(2,669)	(C)	
	$565,204	$343,024	$222,511		$1,130,739
LIABILITIES:					
Notes and mortgages payable	$232,387	$283,847	$ (5,000)	(A)	$ 400,768
			(110,466)	(A)	
Due for US Treasury Obligations	9,636				9,636
Deferred leasing fee income	8,373				8,373
Officer's deferred compensation payable	25,000				25,000
Negative investment in partnership		5,399	(5,399)	(A)	--
Other liabilities	13,551	13,806	(314)	(C)	27,043
Minority interest			168,162	(A)	168,162
	288,947	303,052	46,983		638,982
PREFERRED EQUITY			215,500	(B)	215,500
COMMON EQUITY	276,257	39,972	(39,972)	(A)	276,257
	276,257	39,972	175,528		491,757
	$565,204	$343,024	$222,511		$1,130,739

CONDENSED CONSOLIDATED PRO FORMA INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 1996
(Amounts in thousands, except per share amounts)

	HISTORICAL VORNADO	HISTORICAL MENDIK	PRO FORMA ADJUSTMENTS		COMPANY PRO FORMA
REVENUES:					
Property rentals	$ 87,424	$ 87,261	$ 7,071	(F)	$ 181,712
			(44)	(G)	
Expense reimbursements	26,644	13,551			40,195
Other income	2,819	5,378	(5,378)	(G)	2,819
	116,887	106,190	(1,649)		224,726
EXPENSES:					
Operating	36,412	46,691	(39)	(G)	83,180
			116	(J)	
Depreciation and amortization	11,589	14,133	(144)	(G)	35,559
			9,981	(H)	
General and administrative	5,167	6,783	(3,788)	(G)	8,162
Amortization of officer's deferred compensation expense	2,083				2,083
	55,251	67,607	6,126		128,984
Operating income	61,636	38,583	(4,477)		95,742
Income applicable to Alexander's	7,956				7,956
Equity in net income of Management Companies	1,855		1,471	(G)	3,326
Equity in net income of investees		1,663	1,755	(K)	3,418
Interest income on mortgage note receivable	2,579				2,579
Interest and dividend income	3,151	2,536	(20)	(G)	2,858
			(2,809)	(D)	
Interest and debt expense	(16,726)	(23,998)	9,016	(E)	(31,708)
Net gain on marketable securities	913				913
Minority interest			(6,673)	(L)	(6,673)
Net income	61,364	18,784	(1,737)		78,411
Preferred stock dividends	--	--	(15,575)	(I)	(15,575)
Net income applicable to common shareholders	$ 61,364	$ 18,784	$ (17,312)		$ 62,836
Net income per share, based on 24,603,442 shares	$ 2.49				$ 2.55
OTHER DATA:					
Funds from Operations (1):					
Net income applicable to common shareholders	$ 61,364	$ 18,784	$ (17,312)		$ 62,836
Depreciation and amortization of real property	10,583	14,133	9,837		34,553
Straight-lining of property rent escalations	(2,676)	(1,783)	(7,071)		(11,530)
Leasing fees received in excess of income recognized	1,805				1,805
Proportionate share of adjustments to income from equity investments to arrive at FFO	(1,760)	2,747	(970)		17
	$ 69,316	$ 33,881	$ (15,516)		$ 87,681
Cash flow provided by (used) in:					
Operating activities	$ 70,703	$ 29,267	13,669		113,639
Investing activities	$ 14,912	$ (8,262)	(326,688)		(320,038)
Financing activities	$ (15,046)	$ (11,706)	$ 206,713		179,961

(1) Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs. Funds from operations should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. The Company's definition of funds from operations does not conform to the NAREIT definition because the Company deducts the effect of the straight-lining of property rentals.

NOTES TO CONDENSED CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS

(A) The Acquisitions will be accounted for as purchases applying the provisions of Accounting Principles Board Opinion No. 16. The respective purchase costs will be allocated to acquired assets and assumed liabilities using their relative fair values as of the closing dates, based on valuations and other studies which are not yet complete. Accordingly, the excess of the purchase cost over the net assets acquired has not yet been allocated to individual assets and liabilities. However, the Company believes that the excess purchase price will be allocated principally to real estate.

The purchase costs and preliminary allocation of the excess of cost over net assets acquired is as follows: (in thousands)

Issuance of units of operating partnership		$ 168,162
Cash paid directly associated with the acquisition:		
Acquisition of partnership interest	114,660	
Cash used to reduce existing debt	110,466	
Acquisition of Management Company	7,425	
Fees and expenses	28,192	
Other	8,249	268,992
Purchase Price		437,154
Pro forma net book value of assets acquired:		
Net book value of assets acquired per historical financial statements		$ 39,972
Write-off of deferred assets:		
Receivable arising from the straight-lining of rents		(42,219)
Tenant acquisition costs		(6,908)
Deferred lease fees and loan costs		(17,718)
Cash not acquired		(50,908)
Cash used to reduce existing debt		110,466
Debt forgiven		5,000
Negative investment in partnerships		5,399
Pro forma net book value of assets acquired		43,084
Pro forma excess of liabilities over assets acquired		$ 394,070
Preliminary allocation of excess:		
Allocated to real estate		$ 5,070
		389,000
		$ 394,070
The total purchase price of $437,154 above excludes the following:		
Indebtedness -- wholly owned properties	$ 168,000	
-- partially owned properties	49,279	$ 217,279
Purchase price, as above		437,154
Total purchase price, including debt		$ 654,433

(B) Reflects proceeds from Offering of $225,000, net of offering costs of $9,500.
(C) To reflect adjustments required to record the Company's investment in the Management Company from consolidation to the equity method of accounting.
(D) Reflects a reduction in interest income associated with the use of approximately $53,500 of cash and cash equivalents.
(E) Reflects decrease in interest expense and loan cost amortization resulting from the reduction and refinancing of debt.
(F) To adjust rentals arising for the straight-lining of rent.
(G) To reflect adjustments required to record the Company's investment in the Management Company under the equity method accounting.
(H) Increase in depreciation due to preliminary allocation of purchase price.
(I) To reflect the dividends on the Series A Preferred Shares at 6.5%, plus amortization on $9,500 offering cost.
(J) Increase in operating expenses due to contract changes.
(K) Increase in Equity - investees, due to net decrease in interest expense on refinanced debt.
(L) To reflect minority interest of 9.6% in operating partnership.

Annex G

CONDENSED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION

The unaudited condensed consolidated pro forma financial information set forth below presents (i) the condensed consolidated pro forma statement of income for the Company for the year ended December 31, 1996 as if the Mendik Transaction and certain related transactions were consummated and the Offering and the use of proceeds therefrom had occurred on January 1, 1996 and (ii) the condensed consolidated pro forma balance sheet of the Company as of December 31, 1996 as if the Mendik Transaction and certain related transactions were consummated and the Offering and the use of proceeds therefrom had occurred on December 31, 1996.

Historical Mendik financial information consists of (a) combined financial statements of entities owning the following properties: Eleven Penn Plaza, Two Penn Plaza, 866 U.N. Plaza and 1740 Broadway, (b) equity interests in entities owning Two Park Avenue (40%), 570 Lexington Avenue (5.7%) and 330 Madison Avenue (24.75%) (collectively, the "investees") and (c) the Mendik management operations.

The unaudited condensed consolidated pro forma financial information is not necessarily indicative of what the Company's actual results of operations or financial position would have been had the Mendik Transaction and related transactions been consummated and had the Offering and the use of proceeds therefrom occurred on the dates indicated, nor does it purport to represent the Company's results of operations or financial position for any future period.

The unaudited condensed consolidated pro forma financial information should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996 10-K and the financial statements of the significant entities involved in the Mendik Transaction included in this Current Report on Form 8-K filed with the Commission on March 26, 1997, incorporated herein by reference. In management's opinion, all adjustments necessary to reflect the Mendik Transaction and the related transactions and the Offering and the use of proceeds therefrom have been made.

CONDENSED CONSOLIDATED PRO FORMA BALANCE SHEET

DECEMBER 31, 1996
(AMOUNTS IN THOUSANDS)

	HISTORICAL VORNADO	HISTORICAL MENDIK	PRO FORMA ADJUSTMENTS		PRO FORMA COMPANY
ASSETS:					
Real estate, net	$ 246,249	$ 187,433	$ 389,000	(A)	$ 822,682
Cash and cash equivalents	117,245	50,654	(268,992)	(A)	63,499
			(50,908)	(A)	
			215,500	(B)	
Investment in and advances to Alexander's, Inc.	107,628				107,628
Investment in partnerships		19,863			19,863
Investment in Management Company			7,425	(A)	7,425
Officer's deferred compensation expense	22,917				22,917
Mortgage note receivable	17,000				17,000
Receivable arising from straight-lining of rents	17,052	42,219	(42,219)	(A)	17,052
Other assets	37,113	42,855	(6,908)	(A)	52,673
			(17,718)	(A)	
			(2,669)	(C)	
	$ 565,204	$ 343,024	$ 222,511		$1,130,739
LIABILITIES:					
Notes and mortgages payable	$ 232,387	$ 283,847	$ (5,000)	(A)	$ 400,768
			(110,466)	(A)	
Due for U.S. Treasury Obligations	9,636				9,636
Deferred leasing fee income	8,373				8,373
Officer's deferred compensation payable	25,000				25,000
Negative investment in partnership		5,399	(5,399)	(A)	--
Other liabilities	13,551	13,806	(314)	(C)	27,043
	288,947	303,052	(121,179)		470,820
Minority interests	--	--	168,162	(A)	168,162
PREFERRED SHAREHOLDERS' EQUITY			215,500	(B)	215,500
COMMON SHAREHOLDERS' EQUITY	276,257	39,972	(39,972)	(A)	276,257
	276,257	39,972	175,528		491,757
	$ 565,204	$ 343,024	$ 222,511		$1,130,739

CONDENSED CONSOLIDATED PRO FORMA INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 1996

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL VORNADO	HISTORICAL MENDIK	PRO FORMA ADJUSTMENTS	COMPANY PRO FORMA
REVENUES:				
Property rentals	$ 87,424	$ 87,261	$ 7,071(F) (44)(C)	$ 181,712
Expense reimbursements	26,644	13,551		40,195
Other income	2,819	5,378	(5,378)(C)	2,819
	116,887	106,190	1,649	224,726
EXPENSES:				
Operating	36,412	46,691	(39)(C) 116(I)	83,180
Depreciation and amortization	11,589	14,133	(144)(C) 9,981(G)	35,559
General and administrative	5,167	6,783	(3,788)(C)	8,162
Amortization of officer's deferred compensation expense	2,083			2,083
	55,251	67,607	6,126	128,984
Operating income	61,636	38,583	(4,477)	95,742
Income applicable to Alexander's	7,956			7,956
Equity in net income of management companies	1,855		1,471(C)	3,326
Equity in net income of investees		1,663	1,755(J)	3,418
Interest income on mortgage note receivable	2,579			2,579
Interest and dividend income	3,151	2,536	(20)(C) (2,809)(D)	2,858
Interest and debt expense	(16,726)	(23,998)	9,016(E)	(31,708)
Net gain on marketable securities	913			913
Minority interest			(10,075)(K)	(10,075)
Net income	61,364	18,784	(5,139)	75,009
Preferred stock dividends	--	--	(15,575)(H)	(15,575)
Net income applicable to common shareholders	$ 61,364	$ 18,784	$ (20,714)	$ 59,434
Net income per share, based on 24,603,442 shares	$ 2.49			$ 2.42
OTHER DATA:				
Funds from operations (1):				
Net income applicable to common shareholders	$ 61,364	$ 18,784	$ (20,714)	$ 59,434
Depreciation and amortization of real property	10,583	14,133	9,837	34,553
Straight-lining of property rent escalations	(2,676)	(1,783)	(7,071)	(11,530)
Leasing fees received in excess of income recognized	1,805			1,805
Proportionate share of adjustments to income from equity investments to arrive at FFO	(1,760)	2,747	(970)	17
	$ 69,316	$ 33,881	$ (18,918)	$ 84,279
CASH FLOW PROVIDED BY (USED) IN:				
Operating activities	$ 70,703	$ 29,267	$ 13,669	$ 113,639
Investing activities	$ 14,912	$ (8,262)	$ (326,688)	$ (320,038)
Financing activities	$ (15,046)	$ (11,706)	$ 206,713	$ 179,961

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(1) Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs. Funds from operations should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. The Company's definition of funds from operations does not conform to the NAREIT definition because the Company deducts the effect of the straight-lining of property rentals for rent escalations.

NOTES TO CONDENSED CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS

(A) The Mendik acquisition will be accounted for as purchases applying the provisions of Accounting Principles Board Opinion No. 16. The respective purchase costs will be allocated to acquired assets and assumed liabilities using their relative fair values as of the closing dates, based on valuations and other studies which are not yet complete. Accordingly, the excess of the purchase cost over the net assets acquired has not yet been allocated to individual assets and liabilities. However, the Company believes that the excess purchase price will be allocated principally to real estate.

The purchase costs and preliminary allocation of the excess of cost over net assets acquired is as follows: (in thousands)

Issuance of units of operating partnership		$ 168,162
Cash paid directly associated with the Mendik acquisition:		
Acquisition of partnership interest	114,660	
Cash used to reduce existing debt	110,466	
Acquisition of Mendik management operations	7,425	
Fees and expenses	28,192	
Other	8,249	268,992
Purchase Price		437,154
Pro forma net book value of assets acquired:		
Net book value of assets acquired per historical financial statements		$ 39,972
Write-off of deferred assets:		
Receivable arising from the straight-lining of rents		(42,219)
Tenant acquisition costs		(6,908)
Deferred lease fees and loan costs		(17,718)
Cash not acquired		(50,908)
Cash used to reduce existing debt		110,466
Debt forgiven		5,000
Negative investment in partnerships		5,399
Pro forma net book value of assets acquired		43,084
Pro forma excess of liabilities over assets acquired		$ 394,070
Preliminary allocation of excess:		
Allocated to Mendik management operations		$ 5,070
Allocated to real estate		389,000
		$ 394,070
The total purchase price of $437,154 above excludes the following:		
Debt -- wholly owned properties	$ 168,000	
Debt -- partially owned properties	49,279	$ 217,279
Purchase price, as above		437,154
Total purchase price, including debt		$ 654,433

(B) Reflects proceeds from this Offering of $225,000, net of offering costs.

(C) To reflect adjustments required to record the Company's investment in the Mendik management operations under the equity method of accounting.

(D) Reflects a reduction in interest income associated with the use of approximately $53,500 of cash and cash equivalents.

(E) Reflects decrease in interest expense and loan cost amortization resulting from the reduction and refinancing of debt.

(F) To adjust rentals arising from the straight-lining of property rentals for rent escalations.

(G) Increase in depreciation due to preliminary allocation of purchase price.

(H) To reflect the assumed dividends on the Series A Preferred Shares at 6.0%, plus amortization of offering costs.

(I) Increase in operating expenses due to contract changes.

(J) Increase in Equity -- investees, due to net decrease in interest expense on refinanced debt.

(K) To reflect minority interest of 9.6% in the Operating Partnership.

INDEX TO EXHIBITS

Exhibit No.	Exhibit	Page
2.1	Master Consolidation Agreement (the "Master Consolidation Agreement"), dated March 12, 1997, among Vornado Realty Trust, Vornado/Saddle Brook L.L.C., The Mendik Company, L.P., and various parties defined therein (collectively as the Mendik Group). A list of omitted schedules, exhibits and annexes is attached as the last page to this exhibit. The Registrant agrees to furnish supplementally a copy of any omitted exhibit, schedule or annex to the Securities and Exchange Commission upon request.	
2.1(a)	Mendik Structure Memorandum, included as Appendix A to the Master Consolidation Agreement	
2.1(b)	Vornado Structure Memorandum, included as Appendix B to the Master Consolidation Agreement	
2.1(c)	Form of Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., included as Exhibit G to the Master Consolidation Agreement	
2.1(d)	Form of Voting Agreement between Steven Roth, Michael Fascitelli and Interstate Properties and Bernard Mendik, included as Exhibit J to the Master Consolidation Agreement	
10.1	Commitment Letter, dated March 7, 1997, between Vornado Realty Trust and Union Bank of Switzerland (New York Branch) re: $400,000,000 one-year bridge loan	
23.1	Consent, dated March 26, 1997, of Friedman, Alpren & Green, LLP, independent accountants for Two Penn Plaza Associates, L.P.	

Exhibit No.	Exhibit	Page
23.2	Consent, dated March 26, 1997, of Friedman, Alpren & Green, LLP, independent accountants for B&B Park Avenue L.P.	
23.3	Consent, dated March 26, 1997, of Friedman, Alpren & Green, LLP, independent accountants for M Eleven Associates, M 393 Associates and Eleven Penn Plaza Company	
23.4	Consent, dated March 26, 1997, of Friedman, Alpren & Green, LLP, independent accountants for 1740 Broadway Associates, L.P.	
23.5	Consent, dated March 26, 1997, of Friedman, Alpren & Green, LLP, independent accountants for 866 U.N. Plaza Associates LLC	
23.6	Consent, dated March 26, 1997, of KPMG Peat Marwick LLP, independent accountants for Two Park Company	
99.1	Press Release, dated March 12, 1997, of Vornado Realty Trust, announcing its entry into a Master Consolidation Agreement with Vornado/Saddle Brook L.L.C., The Mendik Company, L.P., and various parties defined therein collectively as the Mendik Group	

Exhibit 2.1

MASTER CONSOLIDATION AGREEMENT

Among

VORNADO REALTY TRUST,

VORNADO/SADDLE BROOK L.L.C.,

THE MENDIK COMPANY, L.P.

And

Various Parties Defined Herein Collectively as

THE MENDIK GROUP

March 12, 1997

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EXHIBIT T: [RESERVED]

EXHIBIT U-1: List of Mendik Excluded Assets Subject to Options and Rights of First Refusal

EXHIBIT U-2: Form of Option Agreement for Mendik Excluded Assets

EXHIBIT V: Forms of factual certificates for tax opinions

Schedules (Attached to the Vornado Disclosure Letter or the Mendik Disclosure Letter, as applicable):

Schedule 3.1(b):	Vornado Subsidiaries
Schedule 3.1(c):	Vornado Securities
Schedule 3.1(d):	Vornado Authority and Consents
Schedule 3.1(e):	Vornado Undisclosed Liabilities
Schedule 3.1(f):	Vornado Material Adverse Changes
Schedule 3.1(g):	Vornado Litigation
Schedule 3.1(h):	Vornado Properties
Schedule 3.1(i):	Vornado Environmental Matters and Reports
Schedule 3.1(j):	Vornado Related Party Transactions
Schedule 3.1(k)(i):	Vornado Benefit Plans
Schedule 3.1(k)(ii):	Vornado ERISA Compliance
Schedule 3.1(l):	Vornado Taxes
Schedule 3.1(m):	Vornado Payments to Employees, Officers, Trustees and Directors
Schedule 3.1(p)(i):	Vornado Contracts
Schedule 3.1(p)(ii):	Vornado Debt Instruments
Schedule 3.2(b)(1):	Property Partnership Assets
Schedule 3.2(b)(2):	Property Partnership Agreements
Schedule 3.2(c)(1):	Partners in the Property Partnerships and the Property-Owning Entities
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Schedule 3.2(d):	Mendik Authority and Consents
Schedule 3.2(e)(i):	Mendik Financial Statements
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Schedule 3.2(f):	Mendik Material Adverse Changes
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Schedule 3.2(o)	REIT Qualification Tax Matters
Schedule 3.2(p)(1):	Management Business Liens
Schedule 3.2(p)(2):	Management Business Excluded Assets
Schedule 3.2(p)(3)	Management Business Breaches
Schedule 4.1:	Mendik Covenants
Schedule 5.2:	Mendik Third-Party Disclosures

INDEX OF DEFINITIONS

THIS MASTER CONSOLIDATION AGREEMENT (this "AGREEMENT") dated as of March 12, 1997 is made and entered into among Vornado Realty Trust, a Maryland real estate investment trust ("VORNADO"), Vornado/Saddle Brook L.L.C., a Delaware limited liability company and wholly-owned subsidiary of Vornado ("VORNADO SUB"), The Mendik Company, L.P., a Delaware limited partnership (the "OPERATING PARTNERSHIP"), The Mendik Company, Inc., a Maryland corporation and currently the sole general partner of the Operating Partnership (the "INITIAL GENERAL PARTNER"), FW/Mendik REIT, L.L.C., a Delaware limited liability company and currently the sole limited partner in the Operating Partnership ("MENDIK/FW LLC"), Mendik Holdings LLC, a Delaware limited liability company ("MENDIK HOLDINGS"), Mendik Realty Company, Inc., a New York corporation ("MENDIK REALTY"), Mendik Managing Agent Company, Inc., a New York corporation ("MENDIK MANAGEMENT COMPANY," and together with Mendik Realty, the "EXISTING MENDIK MANAGEMENT ENTITIES"), Bernard H. Mendik, individually ("MR. MENDIK"), and David R. Greenbaum, individually ("MR. GREENBAUM") (the Initial General Partner, Mendik/FW LLC, Mendik Holdings, the Existing Mendik Management Entities, Mr. Mendik and Mr. Greenbaum are referred to herein collectively as the "MENDIK GROUP").

RECITALS

(a) Vornado is an existing Maryland REIT which owns, directly or indirectly, interests in certain shopping centers as well as certain other real estate and other assets.

(b) The Property-Owning Entities (other than M 393 Associates and M Eleven Associates) own the fee interests in seven office properties in Manhattan (Two Penn Plaza, Eleven Penn Plaza, 1740 Broadway, 866 United Nations Plaza, Two Park Avenue, 330 Madison Avenue and 570 Lexington Avenue) (collectively, the "MENDIK PROPERTIES").

(c) Mr. Mendik or an Affiliate of Mr. Mendik is a general partner or managing member, as the case may be, of each of the Property Partnerships (collectively, the "MANAGING GENERAL PARTNERS").

(d) Mr. Mendik and the Existing Mendik Management Entities (i) possess rights under certain contracts or other agreements to provide management and leasing services for the Mendik Properties in which the Operating Partnership will own, directly or indirectly, all of the interests immediately following the Effective Time (the "REIT MANAGEMENT ASSETS"), and (ii) possess rights under certain contracts or other agreements to provide management and leasing services for the Mendik Properties in which the Operating Partnership will own, directly or indirectly, some but not all of the interests immediately following the Effective Time and for certain properties in which the Operating Partnership will not own an interest, and own certain personal property that will be transferred to the Management Corporation (collectively, the "THIRD-PARTY MANAGEMENT ASSETS," and, together with the REIT Management Assets, the "MANAGEMENT BUSINESS ASSETS").

(e) Mendik/FW LLC has entered into agreements with an investor who owns interests in Two Penn Plaza Associates, 1740 Broadway Associates and B&B (the "MAJOR PARTNER") pursuant to which Mendik/FW LLC has the right to acquire the interests of the Major Partner in those Property Partnerships (as in effect on the date hereof, the "MAJOR PARTNER AGREEMENTS").

(f) Vornado and the Mendik Group desire to effect the transfer (by means of contribution, merger or otherwise) of certain assets of Vornado, the Mendik Property Interests and substantially all of the interests in the Management Business Assets to Vornado Sub, the Operating Partnership, the Management Corporation and/or the Management LLC, upon the terms and subject to the conditions set forth in this Agreement (the "CONSOLIDATION").

(g) Vornado has formed Vornado Sub for the sole purpose of acquiring certain of Vornado's assets and subsequently merging with and into the Operating Partnership upon the terms set forth in this Agreement.

(h) The Operating Partnership will form Mendik Sub for the sole purpose of acquiring certain of the Mendik Property Interests in order to facilitate the conversion of certain of the Property Partnerships into limited liability companies pursuant to the terms of this Agreement and applicable law.

(i) Mr. Mendik and Mr. Greenbaum, individually or jointly, control Building Maintenance Service LLC, a New York limited liability company (the "MENDIK CLEANING COMPANY"), and Guard Management Service Corp., a New York corporation (the "MENDIK SECURITY COMPANY"), which provide cleaning and security services, respectively, for the Mendik Properties and certain other office properties in the New York metropolitan area.

(j) Vornado, Vornado Sub and Mendik/FW LLC desire to make certain representations, warranties, covenants and agreements in connection with the Consolidation and also to prescribe various conditions to the Consolidation.

(k) Concurrently with the execution of this Agreement and as an inducement to Vornado to enter into this Agreement, Mr. Mendik, Mr. Greenbaum, certain entities they control and certain of their affiliates (collectively, the "MENDIK VOTING GROUP") (the members of which are listed on ANNEX A) have entered into voting agreements (the "MENDIK VOTING AGREEMENTS") with respect to the interests of each member of the Mendik Voting Group in the Property Partnerships.

(l) Concurrently with the execution of this Agreement and as an inducement to the Mendik Group to enter into this Agreement, Vornado has employed and entered into a share option agreement (the "MENDIK SHARE OPTION AGREEMENTS") with each of the seven executive officers of Mendik Realty listed on ANNEX B.

(m) Concurrently with the execution of this Agreement and as an inducement to FWM to consent to this Agreement, Vornado, certain members of the Mendik Group and FWM have entered into an agreement whereby the interests of FWM in Mendik/FW LLC may,

under certain circumstances, be acquired by Vornado Sub and certain mutual indemnities will be provided to the Operating Partnership (the "FWM PURCHASE AGREEMENT").

(n) The Operating Partnership has entered into one or more agreements with the M/S Limited Partners pursuant to which, among other things, concurrently with the closing of the Consolidation, the Operating Partnership will acquire the interests of the M/S Limited Partners in the Eleven Penn Partnerships in exchange for Units (as defined below) (the "M/S LIMITED PARTNERS AGREEMENTS").

(o) The transactions contemplated by this Agreement, the Mendik Voting Agreements, the M/S Limited Partners Agreements, the Mendik Share Option Agreements, the FWM Purchase Agreement and the other agreements and documents contemplated hereby, including, without limitation, the Consolidation, are referred to collectively in this Agreement as the "TRANSACTIONS."

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

PRE-CONSOLIDATION TRANSACTIONS

SECTION 1.1 Transfer of REIT Management Assets and Major Partner's Interests. Immediately prior to the Effective Time (as defined below), the following transactions shall occur:s.

(a) Mendik Realty shall contribute the REIT Management Assets to Mendik Holdings in exchange for an interest in Mendik Holdings, pursuant to a Contribution Agreement substantially in the form of EXHIBIT A.

(b) Mendik Holdings shall contribute to Mendik/FW LLC, as an additional capital contribution in respect of Mendik Holdings' interest in Mendik/FW LLC, and Mendik/FW LLC shall receive from Mendik Holdings, the REIT Management Assets, pursuant to a Contribution Agreement substantially in the form of the Contribution Agreement referred to in subsection (a) above.

(c) Mendik/FW LLC shall contribute to the Operating Partnership, as an additional capital contribution in respect of Mendik/FW LLC's interest in the Operating Partnership, and the Operating Partnership shall receive from Mendik/FW LLC, an undivided ninety-nine percent (99%) interest in the REIT Management Assets, pursuant to a Contribution Agreement substantially in the form of the Contribution Agreement referred to in subsection (a) above.

(d) Mendik/FW LLC shall contribute to the Management Corporation an undivided one percent (1%) interest in the REIT Management Assets, pursuant to the Assignment and Assumption Agreement described in Section 1.3(c) below.

(e) The Operating Partnership and the Management Corporation shall contribute their interests in the REIT Management Assets to the Management LLC in exchange for interests of 99% and 1%, respectively, in the Management LLC.

(f) Mendik/FW LLC shall contribute to the Operating Partnership, as an additional capital contribution in respect of Mendik/FW LLC's interest in the Operating Partnership, and the Operating Partnership shall receive from Mendik/FW LLC, either:

(i) in the event the transactions described in Sections 5.12(a) and (b) have not been consummated, Mendik/FW LLC's rights under the Major Partner Agreements; or

(ii) in the event the transactions described in Sections 5.12(a) and (b) have been consummated, Mendik/FW LLC's interests in B&B and Mendik/FW LLC's rights under the Major Partner Agreement relating to the Major Partner's interest in Two Penn Plaza Associates.

SECTION 1.2 Recapitalization of the Operating Partnership. Immediately following the completion of the transactions described in Section 1.1, the Initial General Partner and Mendik/FW LLC shall cause the Operating Partnership to be recapitalized and to issue (i) 1,000 units of partnership interest in the Operating Partnership ("UNITS") to the Initial General Partner as the sole general partner of the Operating Partnership and (ii) 2,329,654 Units to Mendik/FW LLC as the sole limited partner in the Operating Partnership, subject to adjustment as set forth in the Mendik Structure Memorandum (as defined below).

SECTION 1.3 Transfer of Third-Party Management Assets. Immediately prior to the Effective Time, the following transactions shall occur:

(a) Mr. Mendik and the Existing Mendik Management Entities shall contribute the Third-Party Management Assets to Mendik Holdings in exchange for an interest in Mendik Holdings, pursuant to a Contribution Agreement substantially in the form of EXHIBIT B.

(b) Mendik Holdings shall contribute to Mendik/FW LLC, as an additional capital contribution in respect of Mendik Holdings's interest in Mendik/FW LLC, and Mendik/FW LLC shall receive from Mendik Holdings, the Third-Party Management Assets, pursuant to a Contribution Agreement substantially in the form of the Contribution Agreement referred to in subsection (a) above.

(c) (i) Mendik/FW LLC shall transfer the Third-Party Management Assets, as well as the interest in the REIT Management Assets described in Section 1.1(d) above, to the Management Corporation in exchange for (A) 75 shares of voting common stock, par value $.01 per share, of the Management Corporation (the "MANAGEMENT CORPORATION VOTING STOCK"), which will represent a five percent (5%) economic interest in the Management Corporation, (B) 1,425 shares of nonvoting common stock, par value $.01 per share, of the Management Corporation (the "MANAGEMENT CORPORATION NONVOTING STOCK"), which will represent a ninety-five percent (95%) economic interest in the Management Corporation, and (C) a promissory note issued by the Management Corporation in the amount of SIX MILLION DOLLARS ($6,000,000) (the "MANAGEMENT CORPORATION NOTE"), all pursuant to an Assignment and Assumption Agreement substantially in the form of EXHIBIT C-1.

(ii) In connection with the transfer of the Third Party Management Assets to the Management Corporation, Mendik Realty and Mendik Management Company, as applicable, shall make certain covenants to the Operating Partnership with respect to certain of the Third-Party Management Assets pursuant to a letter substantially in the form of EXHIBIT C-2.

(d) (i) Mendik/FW LLC shall sell to Mr. Fascitelli thirty-seven (37) shares of Management Corporation Voting Stock in exchange for cash in the amount of THIRTY-SEVEN THOUSAND DOLLARS ($37,000);

(ii) Mendik/FW LLC shall sell to Mr. Mendik nineteen (19) shares of Management Corporation Voting Stock in exchange for cash in the amount of NINETEEN THOUSAND DOLLARS ($19,000);

(iii) Mendik/FW LLC shall sell to Mr. Greenbaum nineteen (19) shares of Management Corporation Voting Stock in exchange for cash in the amount of NINETEEN THOUSAND DOLLARS ($19,000); and

(iv) The Management Corporation, Mr. Fascitelli, Mr. Mendik and Mr. Greenbaum shall enter into a Shareholders Agreement with respect to their interests in the Management Corporation (the "MANAGEMENT CORPORATION SHAREHOLDERS AGREEMENT") substantially in the form of EXHIBIT D.

(e) Mendik/FW LLC shall transfer the Management Corporation Nonvoting Stock and the Management Corporation Note to the Operating Partnership in exchange for cash in the amount of $7,425,000, pursuant to an Assignment and Assumption Agreement substantially in the form of EXHIBIT E-1. A portion of the consideration paid for such assets may be repaid by Mendik/FW LLC to the Operating Partnership under certain circumstances pursuant to a letter agreement to be entered into by Mendik/FW LLC and the Operating Partnership substantially in the form of EXHIBIT E-2.

ARTICLE II

THE CONSOLIDATION

SECTION 2.1 Transfer of Property Partnership Assets and Related Transactions. Effective as of the Effective Time, the Operating Partnership shall acquire (or, in certain circumstances as described in the memorandum relating to the proposed transfer of interests in the Mendik Properties attached hereto as APPENDIX A (the "MENDIK STRUCTURE MEMORANDUM"), the Operating Partnership shall acquire through Mendik Sub) the interests of the Partners substantially in the manner described in the Mendik Structure Memorandum and in exchange for a combination of cash and Units as set forth in (or as determined in accordance with) the Mendik Structure Memorandum, all pursuant to partner interest contribution agreements substantially in the forms attached hereto as EXHIBITS F-1, F-2, F-3, F-4, F-5, F-6, F-7 and F-8 (each a "PARTNER INTEREST CONTRIBUTION AGREEMENT"); provided, however, that in the event the transactions described in Section 5.12(a) are consummated, then the interests of the Partners in 1740 Broadway Associates will be transferred to the Vornado 1740 Sub (as defined below) on the terms set forth in Sections 5.12(a) and (b) and pursuant to documents substantially as described in Sections 5.12(a) and (b).

SECTION 2.2 Transfer of Vornado Assets. Effective as of the Effective Time, the Operating Partnership shall acquire at least ninety-five percent (95%) of the assets held, directly or indirectly, by Vornado and its consolidated subsidiaries (based on the aggregate fair market value thereof) substantially in the manner described in the memorandum relating to the proposed transfer of the assets of Vornado attached hereto as APPENDIX B (the "VORNADO STRUCTURE MEMORANDUM") and in exchange for Units as set forth in (or determined in accordance with) the Vornado Structure Memorandum (together with such changes therein as may be necessary or appropriate to effect savings in transfer taxes, provided any such changes shall not materially alter the amounts, quality or character of the assets that are to be acquired by the Operating Partnership).

SECTION 2.3 Operating Partnership Transactions. Effective as of the Effective Time, the following transactions relating to the Operating Partnership shall occur:

(a) Vornado, the Initial General Partner, Mendik/FW LLC, Mendik 570 Corp, the Mendik Partnership, the Major Partner, the M/S Limited Partners and each Partner (or any distributee of such Partner) who receives Units in the Consolidation (collectively, "UNITHOLDERS") shall execute and deliver a First Amended and Restated Agreement of Limited Partnership of the Operating Partnership substantially in the form of EXHIBIT G (the "OPERATING PARTNERSHIP AGREEMENT"), pursuant to which:

(i) Vornado shall be admitted as an additional general partner of the Operating Partnership;

(ii) the 1,000 Units representing the Initial General Partner's interest in the Operating Partnership shall be converted into a limited partner interest in the Operating Partnership;

(iii) each of the Units in the Operating Partnership held by the Initial General Partner and Mendik/FW LLC shall be deemed to be Class C Units;

(iv) each of the Units in the Operating Partnership received by Vornado and the Major Partner in the Consolidation shall be deemed to be Class A Units;

(v) each of the Units in the Operating Partnership received by the Partners (or their distributees) in the Transactions shall be deemed to be Class D Units, subject to the conversion of the Units received by certain Affiliates of the Mendik Group into Class C Units pursuant to the terms of the Operating Partnership Agreement;

(vi) each of the Units in the Operating Partnership received by the M/S Limited Partners in connection with the Transactions shall be deemed to be Class E Units; and

(vii) the name of the Operating Partnership shall be changed to Vornado Realty L.P.

(b) Vornado shall execute and deliver for the benefit of each Unitholder (other than Vornado and the Major Partner) a Registration Rights Agreement substantially in the form of EXHIBIT H (the "REGISTRATION RIGHTS AGREEMENT").

(c) Mendik Realty shall assign its interest as a tenant under a lease for certain space at 330 Madison Avenue to the Operating Partnership or to such other entity as the parties may mutually agree.

SECTION 2.4 Mendik/FW LLC Transactions. Effective as of the Effective Time, the following transactions relating to Mendik/FW LLC shall occur:

(a) Vornado Sub shall acquire all of the membership interest of FWM in Mendik/FW LLC for cash pursuant to the FWM Purchase Agreement.

(b) Mendik/FW LLC shall redeem the interest in Mendik/FW LLC acquired by Vornado Sub pursuant to subsection (a) above for 870,865 Units, from those Units Mendik/FW LLC is to receive in connection with the recapitalization of the Operating Partnership pursuant to Section 1.2.

(c) The parties hereto acknowledge that, notwithstanding that Vornado Sub will be a member of Mendik/FW LLC for a specified period as described above, none of Vornado, Vornado Sub or any of their affiliates shall have any responsibility for any obligation of Mendik/FW LLC hereunder or under any related document, nor shall the fact that Vornado Sub will be a member of Mendik/FW LLC for a specified period of time give rise to any defense on

the part of Mendik/FW LLC to the performance of or compliance with any obligation or covenant hereunder or under any related document.

SECTION 2.5 Acquisition of Units by Vornado and the Operating Partnership. Immediately following the Effective Time, the following transactions shall occur:

(a) Vornado shall acquire the Units issued to the Major Partner pursuant to Section 2.1 in exchange for 962 Vornado Common Shares.

(b) The Operating Partnership shall acquire Units issued to any Partners (or their distributees) who elect to sell such Units to the Operating Partnership pursuant to the solicitation of such Partners by the Memorandum (as defined below) for cash at a purchase price of $52.00 per Unit, pursuant to a Unit Redemption Agreement in substantially the form of EXHIBIT I (the "UNIT REDEMPTION AGREEMENT").

(c) Immediately following the completion of the transactions described in clauses (a) and (b) immediately above, Exhibit A to the Operating Partnership Agreement shall be amended to reflect the then-current ownership of Units.

SECTION 2.6 Closing; Effective Time.

(a) The closing of the Consolidation will take place at 10:00 a.m. on a date to be specified by the parties, which (subject to satisfaction or waiver of the conditions set forth in Sections 6.2 and 6.3) shall be no later than the fifth day after satisfaction or waiver of the conditions set forth in Section 6.1 (the "CLOSING DATE"), at the offices of Proskauer, Rose, Goetz & Mendelsohn LLP, 1585 Broadway, New York, New York 10036, unless another date or place is agreed to by the parties hereto.

(b) As soon as practicable following the satisfaction or waiver of the conditions set forth in Article VI, Vornado Sub and the Operating Partnership shall file a certificate of merger or other appropriate documents (the "CERTIFICATE OF MERGER") executed in accordance with the DGCL and shall make all other filings or recordings required under the DGCL. The Consolidation shall become effective upon the filing of the Certificate of Merger with the Secretary of State of the State of Delaware, or at such later time which Vornado, the Operating Partnership and Mendik/FW LLC have agreed upon and designated in such filing in accordance with applicable law (the time the Consolidation becomes effective being the "EFFECTIVE TIME"), it being understood that the parties shall cause the Effective Time to occur on the Closing Date.

(c) Notwithstanding anything to the contrary contained in this Agreement or otherwise, the parties hereto hereby agree and understand that the Transactions may occur in any order and that each of the Transactions shall be deemed to be effective only as of the Effective Time and only upon the effectiveness of all of the Transactions; provided, as set forth above certain of the Transactions shall be completed prior to certain other of the Transactions in order (i) to maintain the separate legal existence of the various entities participating in the Transactions

and (ii) to avoid, to the greatest extent possible, the imposition of any Taxes (as defined below) (including, without limitation any Transfer Taxes (as defined below)) on any of the Transactions or on any of the parties hereto.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

SECTION 3.1 Representations and Warranties of Vornado. Vornado and Vornado Sub represent and warrant to the Operating Partnership and Mendik/FW LLC as follows, which representations and warranties shall be true and shall be given only as of the date of this Agreement and shall not survive following the Effective Time:

(a) Organization, Standing and Corporate Power of Vornado and Vornado Sub. Vornado is a REIT duly organized and validly existing under the laws of the State of Maryland. Vornado Sub is a Delaware limited liability company duly organized and validly existing under the laws of the State of Delaware. Each of Vornado and Vornado Sub has the requisite corporate or other (as the case may be) power and authority to carry on its business as now being conducted. Each of Vornado and Vornado Sub is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or licensing necessary, other than in such jurisdictions where the failure to be so qualified or licensed, individually or in the aggregate, would not have a material adverse effect on the business, properties, assets, financial condition or results of operations of Vornado, Vornado Sub and the Vornado Subsidiaries (as hereinafter defined), taken as a whole (a "VORNADO MATERIAL ADVERSE EFFECT"). Each of Vornado and Vornado Sub has delivered to the Operating Partnership and the Mendik Group complete and correct copies of its Declaration of Trust, Articles of Incorporation or Certificate of Organization (as the case may be) and Bylaws or Operating Agreement (as the case may be), as amended or supplemented to the date of this Agreement.

(b) Vornado Subsidiaries. SCHEDULE 3.1(B) to the Vornado Disclosure Letter sets forth for each entity in which Vornado, directly or indirectly, owns or controls 50% or more of the voting or economic interest (each, a "VORNADO SUBSIDIARY") and for Alexander's, Inc., a Delaware corporation ("ALEXANDER'S"), the name of each such entity and the ownership interest therein of Vornado. Except as set forth in SCHEDULE 3.1(B) to the Vornado Disclosure Letter, (A) all the outstanding shares of capital stock of each Vornado Subsidiary that is a corporation have been validly issued and are fully paid and nonassessable and are owned by Vornado or another Vornado Subsidiary free and clear of all pledges, claims, liens, charges, security interests, and encumbrances of any kind or nature whatsoever (collectively, "LIENS") and (B) all equity interests in each Vornado Subsidiary that is a partnership, joint venture, limited liability company or trust are owned by Vornado or another Vornado Subsidiary free and clear of all Liens except, in the case of clause (A) and (B), for Liens that, in the aggregate, do not have a Vornado Material Adverse Effect. Except for the capital stock of or other equity or ownership interests in the Vornado Subsidiaries, investment securities and except as set forth in SCHEDULE 3.1(B) to the Vornado Disclosure Letter, Vornado does not own, directly or indirectly, any capital stock or other ownership interest in any Person. Each Vornado Subsidiary that is a corporation is duly incorporated and validly existing under the laws of its jurisdiction of incorporation and has the requisite corporate power and authority to carry on its business as now being conducted, and each

Vornado Subsidiary that is a partnership, limited liability company or trust is duly organized and validly existing under the laws of its jurisdiction of organization and has the requisite power and authority to carry on its business as now being conducted, except for such failures as, in the aggregate, do not have a Vornado Material Adverse Effect. Each Vornado Subsidiary is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or licensing necessary, other than in such jurisdictions where the failure to be so qualified or licensed, individually or in the aggregate, would not have a Vornado Material Adverse Effect. Complete and correct copies of the Articles of Incorporation, Bylaws, other comparable organizational documents and partnership, operating and joint venture agreements of each Vornado Subsidiary, as amended to the date of this Agreement, have been delivered or made available to the Operating Partnership and the Mendik Group.

(c) Capital Structure. The authorized shares of beneficial interest of Vornado consist of 50,000,000 Vornado Common Shares, 1,000,000 preferred shares of beneficial interest, no par value per share ("VORNADO PREFERRED SHARES") and 51,000,000 excess shares of beneficial interest, par value $.04 per share ("VORNADO EXCESS SHARES"). On the date hereof, (i) 26,087,910 Vornado Common Shares (excluding 459,770 Vornado Common Shares held in trust for the benefit of Mr. Fascitelli) and no Vornado Preferred Shares or, to the Knowledge of Vornado, Vornado Excess Shares were issued and outstanding, (ii) no Vornado Common Shares or Vornado Preferred Shares were held by Vornado in its treasury, (iii) 728,066 Vornado Common Shares were available for issuance under Vornado's employee benefit or incentive plans ("VORNADO EMPLOYEE SHARE PLANS"), and (iv) 3,338,385 Vornado Common Shares (including 459,770 Vornado Common Shares held in trust for the benefit of Mr. Fascitelli) were issuable upon exercise of outstanding stock options ("VORNADO OPTIONS") to purchase Vornado Common Shares. On the date of this Agreement, except as set forth in this Section 3.1(c), no shares of beneficial interest or other voting securities of Vornado were issued, reserved for issuance or outstanding. There are no outstanding share appreciation rights relating to any shares of beneficial interest of Vornado. All outstanding shares of beneficial interest of Vornado are duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights. Except as set forth in SCHEDULE 3.1(C) to the Vornado Disclosure Letter or as set forth in any partnership, operating or joint venture agreements of each Vornado Subsidiary, there are no bonds, debentures, notes or other indebtedness of Vornado which give the holder thereof the right to vote (or which are convertible into, or exchangeable for, securities having the right to vote) on any matters on which shareholders of Vornado may vote. Except (A) for the Vornado Options, (B) as set forth in SCHEDULE 3.1(C) to the Vornado Disclosure Letter or (C) as set forth in any partnership, operating or joint venture agreements of any Vornado Subsidiary, there are no outstanding securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which Vornado or any Vornado Subsidiary is a party or by which such entity is bound, obligating Vornado or any Vornado Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of beneficial interest, voting securities or other ownership interests of Vornado or of any Vornado Subsidiary or obligating Vornado or any Vornado Subsidiary to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking (other than to Vornado or a Vornado Subsidiary). Except as set forth in SCHEDULE 3.1(C) to the Vornado Disclosure Letter, there are

no outstanding contractual obligations of Vornado or any Vornado Subsidiary to repurchase, redeem or otherwise acquire any shares of beneficial interest or other ownership interests in Vornado or any Vornado Subsidiary or to make any material investment (in the form of a loan, capital contribution or otherwise) in any Person (other than a Vornado Subsidiary).

(d) Authority; Noncontravention; Consents. Each of Vornado and Vornado Sub has the requisite corporate or other (as the case may be) power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement to which Vornado or Vornado Sub (as the case may be) is a party. The execution and delivery of this Agreement by each of Vornado and Vornado Sub and the consummation by each of Vornado and Vornado Sub of the transactions contemplated by this Agreement to which Vornado or Vornado Sub (as the case may be) is a party have been duly authorized by all necessary corporate or other (as the case may be) action on the part of each of Vornado and Vornado Sub. This Agreement has been duly executed and delivered by each of Vornado and Vornado Sub and constitutes a valid and binding obligation of each of Vornado and Vornado Sub, enforceable against each of Vornado and Vornado Sub in accordance with its terms, except as such enforcement may be limited by (i) applicable bankruptcy or insolvency laws (or other laws affecting creditors' rights generally) or (ii) general principles of equity. Except as set forth in SCHEDULE 3.1(D) to the Vornado Disclosure Letter, the execution and delivery of this Agreement by each of Vornado and Vornado Sub do not, and the consummation of the transactions contemplated by this Agreement to which Vornado or Vornado Sub (as the case may be) is a party and compliance by each of Vornado and Vornado Sub with the provisions of this Agreement will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or result in the creation of any Lien upon any of the properties or assets of Vornado, Vornado Sub, or any other Vornado Subsidiary under, (i) the Declaration of Trust, Articles of Incorporation or Certificate of Organization (as the case may be) or By-laws or Operating Agreement (as the case may be) of Vornado and Vornado Sub or the comparable charter or organizational documents or partnership or similar agreement (as the case may be) of any other Vornado Subsidiary, each as amended or supplemented to the date of this Agreement, (ii) any loan or credit agreement, note, bond, mortgage, indenture, reciprocal easement agreement, lease or other agreement, instrument, permit, concession, franchise or license applicable to Vornado, Vornado Sub or any other Vornado Subsidiary or their respective properties or assets or (iii) subject to the governmental filings and other matters referred to in the following sentence, any judgment, order, decree, statute, law, ordinance, rule or regulation (collectively, "LAWS") applicable to Vornado, Vornado Sub or any other Vornado Subsidiary or their respective properties or assets, other than, in the case of clause (ii) or (iii), any such conflicts, violations, defaults, rights or Liens that individually or in the aggregate would not (x) have a Vornado Material Adverse Effect or (y) prevent the consummation of the Transactions. No consent, approval, order or authorization of, or registration, declaration or filing with, any federal, state or local government or any court, administrative or regulatory agency or commission or other governmental authority or agency, domestic or foreign (a "GOVERNMENTAL ENTITY"), is required by or with respect to Vornado, Vornado Sub or any Vornado Subsidiary in connection with the execution and delivery of this Agreement or the consummation by Vornado or Vornado Sub, as the case may be, of any of the transactions contemplated by this Agreement,

except for (1) the filing with the SEC of a report on Form 8-K, as may be required in connection with this Agreement and the transactions contemplated by this Agreement, (2) such filings as may be required in connection with the payment of any Transfer Taxes (as hereinafter defined) and (3) such other consents, approvals, orders, authorizations, registrations, declarations and filings as are set forth in SCHEDULE 3.1(D) to the Vornado Disclosure Letter or (A) as may be required under (x) federal, state or local environmental laws or (y) the "blue sky" laws of various states or (B) which, if not obtained or made, would not, in the aggregate, have a Vornado Material Adverse Effect or prevent the consummation of the Transactions.

(e) SEC Documents; Financial Statements; Undisclosed Liabilities. Vornado has filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC. The Vornado Annual Report on Form 10-K for the year ended December 31, 1996 (including all documents incorporated therein by reference) and the Vornado Proxy Statement on Schedule 14A relating to the 1996 annual meeting of Vornado shareholders (collectively, the "VORNADO SEC DOCUMENTS") as of their respective filing dates, complied in all material respects with all applicable requirements of the Securities Act and the Exchange Act and the rules and regulations promulgated thereunder. The consolidated financial statements of Vornado included in the Vornado Annual Report on Form 10-K for the year ended December 31, 1996 (the "VORNADO FINANCIAL STATEMENTS") complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with generally accepted accounting principals ("GAAP") applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly presented, in accordance with the applicable requirements of GAAP, the consolidated financial position of Vornado and the Vornado Subsidiaries, taken as a whole, as of the dates thereof and the consolidated results of operations and cash flows for the periods then ended, except for liabilities and obligations which would not have a Vornado Material Adverse Effect. Except as set forth in the Vornado Financial Statements or in SCHEDULE 3.1(E) to the Vornado Disclosure Letter, to the Knowledge of Vornado, neither Vornado nor any Vornado Subsidiary has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) required by GAAP to be set forth on a consolidated balance sheet of Vornado or which, individually or in the aggregate, would have a Vornado Material Adverse Effect.

(f) Absence of Certain Changes or Events. Except as disclosed in the Vornado SEC Documents or in SCHEDULE 3.1(F) to the Vornado Disclosure Letter, since December 31, 1996 (the "VORNADO FINANCIAL STATEMENTS DATE") to a time immediately prior to the execution of this Agreement, there has not been (i) an occurrence or circumstance that would have a Vornado Material Adverse Effect (a "VORNADO MATERIAL ADVERSE CHANGE"), nor has there been any occurrence or circumstance that with the passage of time would reasonably be expected to result in a Vornado Material Adverse Change, (ii) except for regular quarterly dividends not in excess of $.64 per Vornado Common Share, any declaration, setting aside or payment of any dividend or distribution (whether in cash, stock or property) with respect to any of Vornado's shares of beneficial interest, (iii) any split, combination or reclassification of any of Vornado's shares of beneficial interest or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for, or giving the right to acquire by

exchange or exercise, its shares of beneficial interest or any issuance of an ownership interest in any Vornado Subsidiary, (iv) any damage, destruction or loss, not covered by insurance, that has had or would have a Vornado Material Adverse Effect or (v) any change in accounting methods, principles or practices by Vornado or any Vornado Subsidiary except insofar as may have been disclosed in the Vornado SEC Documents or required by a change in GAAP.

(g) Litigation. Except as disclosed in the Vornado SEC Documents or in SCHEDULE 3.1(G) to the Vornado Disclosure Letter, and other than personal injury and other routine tort litigation that has arisen from the ordinary course of operations of Vornado and the Vornado Subsidiaries which are covered by adequate insurance (other than deductibles), there is no suit, action or proceeding pending or, to the knowledge of Vornado and Vornado Sub, threatened against or affecting Vornado or any Vornado Subsidiary which, if determined adversely to Vornado or any Vornado Subsidiary, individually or in the aggregate, could reasonably be expected to (A) have a Vornado Material Adverse Effect or (B) prevent the consummation of any of the Transactions, nor is there any judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against Vornado or any Vornado Subsidiary having, or which, insofar as reasonably can be foreseen, in the future would have either such effect.

(h) Properties. Except as provided in SCHEDULE 3.1(H) to the Vornado Disclosure Letter, Vornado or one of the Vornado Subsidiaries owns fee simple title to each of the real properties identified in SCHEDULE 3.1(H) to the Vornado Disclosure Letter (the "VORNADO PROPERTIES"), which are all of the real estate properties owned by them. The Vornado Properties are owned free and clear of rights of way, written agreements, liens, mortgages or deeds of trust, claims against title, charges which are liens, security interests or other encumbrances on title ("ENCUMBRANCES"), other than tenant leases, and Encumbrances disclosed on existing title reports or existing surveys (copies of which title reports and surveys have previously been delivered or made available to the Operating Partnership and the Mendik Group) and except for such other Encumbrances which, taken as a whole with respect to the Vornado Properties, do not have a Vornado Material Adverse Effect. Except as provided in SCHEDULE 3.1(H) to the Vornado Disclosure Letter or in the engineering reports listed in SCHEDULE 3.1(H) to the Vornado Disclosure Letter and previously delivered or made available to the Mendik Group (the "VORNADO ENGINEERING REPORTS"), (i) none of Vornado or any Vornado Subsidiary has received notice that any certificate, permit or license from any Governmental Entity having jurisdiction over any of the Vornado Properties or any agreement, easement or other right which is necessary to permit the lawful use and operation of the buildings and improvements on any of the Vornado Properties or which is necessary to permit the lawful use and operation of all driveways, roads and other means of egress and ingress to and from any of the Vornado Properties has not been obtained and is not in full force and effect, or of any pending threat of modification or cancellation of any of same that, in the case of any of the foregoing, has not been cured, (ii) none of Vornado or any Vornado Subsidiary has received written notice of any material violation of any federal, state or municipal law, ordinance, order, regulation or requirement affecting any portion of any of the Vornado Properties issued by any Governmental Entity that has not been cured, (iii) there is no physical damage to any Vornado Property for which there is no insurance in effect covering the cost of the restoration, except for matters referred to in clauses (i), (ii) and (iii) above which, in the aggregate, do not have a Vornado Material Adverse Effect. Except as

set forth in SCHEDULE 3.1(H) to the Vornado Disclosure Letter or in the Vornado Engineering Reports, none of Vornado or any of the Vornado Subsidiaries has received any notice from any Governmental Entity to the effect that (1) any condemnation or rezoning proceedings are pending or threatened with respect to any of the Vornado Properties or (2) any zoning, building or similar law, code, ordinance, order or regulation is or will be violated by the continued maintenance, operation or use of any buildings or other improvements on any of the Vornado Properties or by the continued maintenance, operation or use of the parking areas, except for any matters referred to in clause (1) or (2) above which, in the aggregate, do not have a Vornado Material Adverse Effect. Except as set forth in SCHEDULE 3.1(H) to the Vornado Disclosure Letter or in the Vornado Engineering Reports, (A) all work to be performed, payments to be made and actions to be taken by Vornado or Vornado Subsidiaries prior to the date hereof pursuant to any agreement entered into with a governmental body or authority in connection with a site approval, zoning reclassification or other similar action relating to the Vornado Properties (e.g., Local Improvement District, Road Improvement District, Environmental Mitigation) has been performed, paid or taken, as the case may be, and, (B) to the Knowledge of Vornado, there are no planned or proposed work, payments or actions that may be required after the date hereof pursuant to such agreements, except for any such planned or proposed work, payments or actions described in clause (A) or (B) which, in the aggregate, if they did not happen, would not reasonably be expected to have a Vornado Material Adverse Effect.

(i) Environmental Matters. Except as disclosed in the Vornado SEC Documents, as set forth in SCHEDULE 3.1(I) to the Vornado Disclosure Letter or set forth in the environmental reports relating to certain of the Vornado Properties (the "VORNADO ENVIRONMENTAL REPORTS"), which Vornado Environmental Reports are listed in SCHEDULE 3.1(I) to the Vornado Disclosure Letter and have previously been provided or made available to the Mendik Group, none of Vornado, any of the Vornado Subsidiaries or, to the Knowledge of Vornado, any other Person has caused or permitted (A) the unlawful presence of any Hazardous Materials on any of the Vornado Properties or (B) any unlawful spills, releases, discharges or disposal of Hazardous Materials to have occurred or be presently occurring on or from the Vornado Properties as a result of any construction on or operation and use of such properties, which presence or occurrence would, in the aggregate, have a Vornado Material Adverse Effect; and in connection with the construction on or operation and use of the Vornado Properties, Vornado and the Vornado Subsidiaries have not failed to comply in any material respect with all applicable local, state and federal environmental laws, regulations, ordinances and administrative and judicial orders relating to the generation, recycling, reuse, sale, storage, handling, transport and disposal of any Hazardous Materials, except to the extent such failure to comply, in the aggregate, would not have a Vornado Material Adverse Effect.

(j) Related Party Transactions. Except as set forth in SCHEDULE 3.1(J) to the Vornado Disclosure Letter or in the Vornado SEC Documents, there are no arrangements, agreements and contracts entered into by Vornado, Vornado Sub or any of the Vornado Subsidiaries with (i) any Person who is an officer, director or affiliate of Vornado, Vornado Sub or any of the Vornado Subsidiaries, any relative of any of the foregoing or any entity of which any of the foregoing is an affiliate or (ii) any Person who acquired Vornado Common Shares in a

private placement. Copies of all of the foregoing documents have previously been delivered or made available to the Mendik Group.

(k) Absence of Changes in Benefit Plans; ERISA Compliance.

(i) Except as disclosed in the Vornado SEC Documents or in SCHEDULE 3.1(K)(I) to the Vornado Disclosure Letter and except as permitted by Section 4.2 (for the purpose of this sentence, as if Section 4.2 had been in effect since December 31, 1995), since the Vornado Financial Statements Date, there has not been any adoption or amendment by Vornado or any Vornado Subsidiary of any bonus, pension, profit sharing, deferred compensation, incentive compensation, share ownership, share purchase, share option, phantom share, retirement, vacation, severance, disability, death benefit, hospitalization, medical or other employee benefit plan, arrangement or understanding (whether or not legally binding or oral or in writing) providing benefits to any current or former employee, officer, trustee or director of Vornado, any Vornado Subsidiary, or any Person affiliated with Vornado under Section 414 (b), (c), (m) or (o) of the Code (collectively, "VORNADO BENEFIT PLANS").

(ii) Except as described in the Vornado SEC Documents or in SCHEDULE 3.1(K)(II) to the Vornado Disclosure Letter or as would not have a Vornado Material Adverse Effect, (A) all Vornado Benefit Plans, including any such plan that is an "employee benefit plan" as defined in Section 3(3) of ERISA, are in compliance with all applicable requirements of law, including ERISA and the Code and (B) none of Vornado or any Vornado Subsidiary has any liabilities or obligations with respect to any such Vornado Benefit Plans, whether accrued, contingent or otherwise, nor to the Knowledge of Vornado are any such liabilities or obligations expected to be incurred. Except as set forth in SCHEDULE 3.1(K)(II), the execution of, and performance of the transactions contemplated in, this Agreement will not (either alone or upon the occurrence of any additional or subsequent events) constitute an event under any Vornado Benefit Plan, policy, arrangement or agreement or any trust or loan that will or may result in any payment (whether of severance pay or otherwise), acceleration, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any employee or director.

(l) Taxes.

(i) Each of Vornado and each Vornado Subsidiary has (A) filed all tax returns and reports required to be filed by it (after giving effect to any filing extension properly granted by a Governmental Entity having authority to do so) and all such returns and reports are accurate and complete in all material respects, and (B) paid (or Vornado has paid on its behalf) all Taxes (as defined below) shown on such returns and reports as required to be paid by it, and the Vornado Financial Statements reflect an adequate reserve for all material Taxes payable by Vornado (and by those Vornado Subsidiaries and whose financial statements are contained therein) for all taxable periods and portions thereof through the date of such financial statements, except for such failures that do not have a Vornado Material Adverse Effect. Complete and correct copies of all federal, state and local tax returns and reports for Vornado and each Vornado Subsidiary and all written communications relating thereto have been delivered or made available to the Operating Partnership and the Mendik Group. Since the Vornado Financial Statement

Date, none of Vornado or any Vornado Subsidiary has incurred any liability for Taxes under Sections 857(b), 860(c) or 4981 of the Code, and none of Vornado or any Vornado Subsidiary has incurred any material liability for Taxes other than Taxes incurred in connection with the transactions described in Section 2.2 or in the ordinary course of business. To the Knowledge of Vornado, no event has occurred, and no condition or circumstance exists, which presents a material risk that any material Tax described in the preceding sentence with respect to the period described in said sentence will be imposed upon Vornado. Except as set forth in SCHEDULE 3.1(L) to the Vornado Disclosure Letter or as reserved for in the Vornado Financial Statements, no deficiencies for any Taxes have been assessed or, to the Knowledge of Vornado, proposed or asserted against Vornado or any of the Vornado Subsidiaries, and no requests for waivers of the time to assess any such Taxes are pending, except for such deficiencies that do not have a Vornado Material Adverse Effect. As used in this Agreement, "TAXES" shall include all federal, state, local and foreign income, property, sales, excise and other taxes, tariffs or governmental charges of any nature whatsoever, together with penalties, interest or additions to Tax with respect thereto.

(ii) Each of Vornado, beginning with its taxable year ended December 31, 1993 and through the most recent December 31, and Alexander's, beginning with its taxable year ended December 31, 1995 and through the most recent December 31, has been subject to taxation as a REIT within the meaning of the Code and has satisfied all requirements to qualify as a REIT for such years, (B) has operated, and intends to continue to operate, in such a manner as to qualify as a REIT for the tax year ending December 31, 1997, and (C) has not taken or omitted to take any action which would reasonably be expected to result in a challenge to its status as a REIT, and to Vornado's Knowledge, no such challenge is pending or threatened. None of Vornado or any Vornado Subsidiary holds any asset that is subject to a consent filed pursuant to Section 341(f) of the Code and the regulations thereunder.

(m) No Payments to Employees, Officers or Directors. Except as set forth in SCHEDULE 3.1(M) to the Vornado Disclosure Letter or as otherwise specifically provided for in this Agreement, there is no employment or severance contract, or other agreement requiring payments to be made or increasing any amounts payable thereunder on a change of control or otherwise as a result of the consummation of any of the Transactions, with respect to any employee, officer, trustee or director of Vornado or any Vornado Subsidiary.

(n) Brokers; Schedule of Fees and Expenses. No broker, investment banker, financial advisor or other Person, other than Goldman, Sachs & Co., the fees and expenses of which have previously been disclosed to the Operating Partnership and the Mendik Group and will be paid by Vornado (or by the Operating Partnership if the Consolidation is consummated), is entitled, or would, assuming closing of the Transactions, be entitled, to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Transactions based upon arrangements made by or on behalf of Vornado, Vornado Sub or any other Vornado Subsidiary.

(o) Compliance with Laws. To the Knowledge of Vornado, except as disclosed in the Vornado SEC Documents, none of Vornado or any of the Vornado Subsidiaries has violated or failed to comply with any statute, law, ordinance, regulation, rule, judgment,

decree or order of any Governmental Entity applicable to its business, properties or operations, except for any violations and failures to comply that would not, in the aggregate, reasonably be expected to result in a Vornado Material Adverse Effect.

(p) Contracts; Debt Instruments.

(i) Except as disclosed in the Vornado Financial Statements, none of Vornado or any Vornado Subsidiary has received notice of any default that has not been cured under, or to the Knowledge of Vornado, is in violation of or in default under (nor, to the Knowledge of Vornado, does there exist any condition which upon the passage of time or the giving of notice or both would cause such a violation of or default under), any material loan or credit agreement, note, bond, mortgage, indenture, lease, permit, concession, franchise, license or any other material contract, agreement, arrangement or understanding, to which it is a party or by which it or any of its properties or assets is bound, except as set forth in SCHEDULE 3.1(P)(I) to the Vornado Disclosure Letter and except for violations or defaults that would not, in the aggregate, result in a Vornado Material Adverse Effect.

(ii) Except as expressly identified in the most recent financial statements contained in the Vornado SEC Documents and except as permitted by Section 4.2, SCHEDULE 3.1(P)(II) to the Vornado Disclosure Letter sets forth (x) a list of all loan or credit agreements, notes, bonds, mortgages, indentures and other agreements and instruments evidencing any indebtedness of Vornado or any of the Vornado Subsidiaries for borrowed money in effect as of the date hereof and that will be in effect after the Closing Date and (y) the respective principal amounts outstanding thereunder on December 31, 1996.

(q) Interim Operations of Vornado Sub. Vornado Sub was formed solely for the purpose of engaging in the transactions contemplated by this Agreement and has not engaged in any business activities or conducted any operations other than in connection with the transactions contemplated by this Agreement.

(r) Vote Required. Other than votes or consents by the Board of Trustees of Vornado or a Vornado Subsidiary with respect to actions to be taken by any Vornado Subsidiary, all of which will be obtained prior to the Effective Time, no vote of the holders of any class or series of Vornado's shares of beneficial interest is necessary (under applicable law, its Declaration of Trust or otherwise) to approve this Agreement and the transactions contemplated hereby, and the affirmative vote of a majority of the members of Vornado's Board of Trustees, which vote has been obtained, is the only vote necessary (under applicable law or otherwise) to approve this Agreement and the transactions contemplated hereby.

(s) Investment Company Act of 1940. None of Vornado, Vornado Sub or any of the Vornado Subsidiaries is, or at the Effective Time will be, required to be registered as an "investment company" under the 1940 Act (as hereinafter defined).

SECTION 3.2 Representations and Warranties of Mendik/FW LLC. Mendik/FW LLC represents and warrants to Vornado and Vornado Sub as follows, which representations and

warranties shall be true and shall be given only as of the date of this Agreement and shall not survive following the date of this Agreement:

(a) Organization, Standing and Corporate Power of the Operating Partnership and the Mendik Group. Each of the Operating Partnership and each member of the Mendik Group that is an entity is duly organized and validly existing under the laws of its respective jurisdiction of organization, and has the requisite power and authority to carry on its business as now being conducted. Each member of the Mendik Group that is an individual has the full right, power and capacity to own and dispose of property and to undertake the Transactions to which such individual is a party pursuant to this Agreement. Each of the Operating Partnership and each member of the Mendik Group that is an entity is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or licensing necessary, other than in such jurisdictions where the failure to be so qualified or licensed, individually or in the aggregate, would not have a material adverse effect on the business, properties, assets, financial condition or results of operations of (i) the Operating Partnership (as constituted as of the date of this Agreement), the New Management Entities, the Property Partnerships or the Property-Owning Entities, all of the foregoing taken as a whole, or (ii) the Operating Partnership (considered as it is expected to be constituted immediately following the Effective Time) (either (i) or (ii), a "MENDIK MATERIAL ADVERSE EFFECT"). Each of the Operating Partnership and each member of the Mendik Group that is an entity has delivered to Vornado and Vornado Sub complete and correct copies of its Articles of Incorporation, Bylaws, other organizational documents and partnership and joint venture agreements, as applicable, as amended or supplemented to the date of this Agreement.

(b) Property Partnerships. Each Property Partnership and each Property-Owning Entity (as hereinafter defined) is duly organized and validly existing under the laws of its respective jurisdiction of organization and has the requisite power and authority to carry on its business as now being conducted. Each Property Partnership and each Property-Owning Entity is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or licensing necessary, other than in such jurisdictions where the failure to be so qualified or licensed, individually or in the aggregate, would not have a Mendik Material Adverse Effect. Except as set forth in SCHEDULE 3.2(B)(1) to the Mendik Disclosure Letter, none of the Property Partnerships or Property-Owning Entities has conducted or currently conducts any business or has owned or owns any assets other than cash and investment securities and direct or indirect interests in another Property Partnership, in a Property-Owning Entity or in a Mendik Property.

SCHEDULE 3.2(B)(2) to the Mendik Disclosure Letter sets forth for each of the Property Partnerships and each of the Property-Owning Entities the relevant partnership or operating agreements and all amendments thereto (collectively, the "PROPERTY PARTNERSHIP AGREEMENTS"). The Mendik Group has delivered to Vornado complete and correct copies of (i) each Property Partnership Agreement, (ii) the Major Partner Agreements and (iii) the M/S Limited Partners Agreements.

(c) Interests in the Property Partnerships and the Property-Owning Entities. SCHEDULE 3.2(C)(1) to the Mendik Disclosure Letter sets forth for each Property Partnership and each Property-Owning Entity the names of all the partners and, to the Knowledge of the Mendik Group, holders of beneficial interests in each such Property Partnership or Property-Owning Entity. Except as set forth in SCHEDULE 3.2(C)(2) to the Mendik Disclosure Letter or in the Property Partnership Agreements, there are no bonds, debentures, notes or other indebtedness of any Property Partnership or Property-Owning Entity which give the holder thereof the right to vote (or convertible into, or exchangeable for, interests having the right to vote) on any matters on which Partners may vote. Except as set forth in SCHEDULE 3.2(C)(2) to the Mendik Disclosure Letter or in the Property Partnership Agreements, as of the date of this Agreement there are no outstanding securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which any Property Partnership or Property-Owning Entity is a party or by which such entity is bound, obligating any Property Partnership or Property-Owning Entity to issue, deliver or sell, or cause to be issued, delivered or sold, additional partnership interests or other ownership interests of any Property Partnership or Property-Owning Entity or obligating any Property Partnership or Property-Owning Entity to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking. Except as set forth in SCHEDULE 3.2(C)(2) to the Mendik Disclosure Letter or in the Property Partnership Agreements, there are no outstanding contractual obligations of any Property Partnership or Property-Owning Entity to repurchase, redeem or otherwise acquire any partnership interests or other ownership interests in any Property Partnership or Property-Owning Entity or to make any material investment (in the form of a loan, capital contribution or otherwise) in any Person (other than another Property Partnership or Property-Owning Entity). Except as set forth in the Property Partnership Agreements, to the Knowledge of the Mendik Group, there are no Liens on the interests of the Major Partner, the M/S Limited Partners or any of the Partners in any of the Property Partnerships.

(d) Authority; Noncontravention; Consents. Each of the Operating Partnership and each member of the Mendik Group has the requisite power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement to which it is a party. The execution and delivery of this Agreement by each of the Operating Partnership and each member of the Mendik Group and the consummation by each of them of the transactions contemplated by this Agreement to which it is a party have been duly authorized by all necessary corporate, partnership or other action on the part of each of them. This Agreement has been duly executed and delivered by each of the Operating Partnership and each member of the Mendik Group and constitutes a valid and binding obligation of each of the Operating Partnership and each member of the Mendik Group, enforceable against each of them in accordance with its terms, except as such enforcement may be limited by (i) applicable bankruptcy or insolvency laws (or other laws affecting creditors' rights generally) or (ii) general principles of equity. Except for Partner Consents and as set forth in SCHEDULE 3.2(D) to the Mendik Disclosure Letter, the execution and delivery of this Agreement by each of the Operating Partnership and each member of the Mendik Group do not, and the consummation of the transactions contemplated by this Agreement to which the Operating Partnership or any member of the Mendik Group (as the case may be) is a party and compliance by each of the Operating Partnership and each member of the Mendik Group with the provisions of this Agreement will

not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or result in the creation of any Lien upon any of the properties or assets of the Operating Partnership, any member of the Mendik Group, any Property Partnership or any Property-Owning Entity under, (i) the applicable organizational documents of any of them, each as amended or supplemented to the date of this Agreement, (ii) any loan or credit agreement, note, bond, mortgage, indenture, reciprocal easement agreement, lease or other agreement, instrument, permit, concession, franchise or license applicable to the Operating Partnership, any member of the Mendik Group, any Property Partnership or any Property-Owning Entity or their respective properties or assets or (iii) subject to the governmental filings and other matters referred to in the following sentence, any Laws applicable to the Operating Partnership, any member of the Mendik Group, any Property Partnership or any Property-Owning Entity or their respective properties or assets, other than, in the case of clause (ii) or (iii), any such conflicts, violations, defaults, rights or Liens that individually or in the aggregate would not (x) have a Mendik Material Adverse Effect or (y) prevent the consummation of the Transactions. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by or with respect to the Operating Partnership or any member of the Mendik Group, in connection with the execution and delivery of this Agreement or the consummation by the Operating Partnership or any member of the Mendik Group, as the case may be, of any of the transactions contemplated by this Agreement, except for (1) such filings as may be required in connection with the payment of any Transfer Taxes and (2) such other consents, approvals, orders, authorizations, registrations, declarations and filings (A) as may be required under (x) federal, state or local environmental laws or (y) the "blue sky" laws of various states or (B) which, if not obtained or made, would not, in the aggregate, have a Mendik Material Adverse Effect or prevent the consummation of the Transactions.

(e) Financial Statements; Undisclosed Liabilities.

(i) SCHEDULE 3.2(E)(I) to the Mendik Disclosure Letter sets forth a complete and correct list of certain of the Property Partnerships and the Property-Owning Entities (collectively, the "MENDIK AUDITED ENTITIES") for which unaudited financial statements have been previously provided to Vornado (the "MENDIK DRAFT AUDITED FINANCIAL STATEMENTS"). The Mendik Draft Audited Financial Statements have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly presented, in accordance with the applicable requirements of GAAP, the financial position of the Mendik Audited Entities, taken as a whole, as of December 31, 1996 (the "MENDIK FINANCIAL STATEMENTS DATE"), and the results of operations and cash flows for the year then ended, except for such matters as would not have a Mendik Material Adverse Effect. SCHEDULE 3.2(E)(I) to the Mendik Disclosure Letter also sets forth a complete and correct list of the Operating Partnership, the Existing Mendik Management Entities and certain of the Property Partnerships and Property-Owning Entities (collectively, the "MENDIK UNAUDITED ENTITIES") for which unaudited financial statements have been previously provided to Vornado and for which audited financial statements will not be provided to Vornado prior to the Closing Date (the "MENDIK FINAL UNAUDITED FINANCIAL STATEMENTS" and, together with the Mendik Draft Audited Financial Statements, the "MENDIK UNAUDITED FINANCIAL STATEMENTS"). The Mendik Final

Unaudited Financial Statements accurately reflected the financial position (on a tax basis or a GAAP basis, as applicable) of the Mendik Unaudited Entities, taken as a whole, as of the Mendik Financial Statements Date, and the results of operations and cash flows (on a tax basis or a GAAP basis, as applicable) for the year then ended, except for such matters as would not have a Mendik Material Adverse Effect.

(ii) Except as set forth in the tenant lease abstracts relating to tenant leases at the Mendik Properties which have previously been provided to Vornado or in SCHEDULE 3.2(E)(II) to the Mendik Disclosure Letter, none of the Mendik Audited Entities or the Mendik Unaudited Entities has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) that is not reflected in the Mendik Unaudited Financial Statements and, except for such liabilities and obligations which would not, individually or in the aggregate, have a Mendik Material Adverse Effect.

(f) Absence of Certain Changes or Events. Except as disclosed in SCHEDULE 3.2(F) to the Mendik Disclosure Letter, since the Mendik Financial Statements Date to a time immediately prior to the execution of this Agreement, each of the Operating Partnership, each Property Partnership and each Property-Owning Entity has conducted its business only in the ordinary course and there has not been (i) any occurrence or circumstance that would have a Mendik Material Adverse Effect (a "MENDIK MATERIAL ADVERSE CHANGE"), nor has there been any occurrence or circumstance that with the passage of time would reasonably be expected to result in a Mendik Material Adverse Change, (ii) any damage, destruction or loss, not covered by insurance, that has had or would have a Mendik Material Adverse Effect or (iii) any change in accounting methods, principles or practices by the Operating Partnership, any Property Partnership or any Property-Owning Entity except insofar as may have been disclosed in the Mendik Unaudited Financial Statements or required by a change in GAAP.

(g) Litigation. Except as disclosed in the Mendik Unaudited Financial Statements or in SCHEDULE 3.2(G) to the Mendik Unaudited Disclosure Letter, and other than personal injury and other routine tort litigation (including potential claims referred to in accident reports maintained by the Mendik Group) that has arisen from the ordinary course of operations of the Operating Partnership, the members of the Mendik Group, the Property Partnerships and the Property-Owning Entities which are covered by adequate insurance (other than deductibles), there is no suit, action or proceeding pending or, to the Knowledge of the Mendik Group, threatened against or affecting the Operating Partnership, any member of the Mendik Group, any Property Partnership or any Property-Owning Entity which, if determined adversely to the Operating Partnership, any member of the Mendik Group, any Property Partnership or any Property-Owning Entity, individually or in the aggregate, could reasonably be expected to (A) have a Mendik Material Adverse Effect or (B) prevent the consummation of any of the Transactions, nor is there any judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against the Operating Partnership, any member of the Mendik Group or any Property Partnership having, or which, insofar as reasonably can be foreseen, in the future would have either such effect.

(h) Properties. Except as set forth in SCHEDULE 3.2(B)(1) to the Mendik Disclosure Letter, the Mendik Properties are all of the real estate properties in which any of the

Operating Partnership, any Property Partnership or any Property-Owning Entity owns or has ever owned interests. In each case (except as provided below), each Property-Owning Entity (other than M 393 Associates and M Eleven Associates) owns fee simple title to its respective Mendik Property free and clear of Encumbrances, other than tenant leases referred to in the rent roll for each of the Mendik Properties as described in Section 3.2(n)(ii), and Encumbrances disclosed on existing title reports or existing surveys (copies of which title reports and surveys have previously been delivered or made available to Vornado) and except for such other Encumbrances which, taken as a whole with respect to the Mendik Properties, do not have a Mendik Material Adverse Effect. Except as provided in SCHEDULE 3.2(H) to the Mendik Disclosure Letter, except as set forth in the engineering reports listed in SCHEDULE 3.2(H) and previously delivered to Vornado (collectively, the "MENDIK ENGINEERING REPORTS") and except as set forth in the municipal violations search reports relating to the Mendik Properties previously delivered to Vornado (collectively, the "MENDIK PROPERTIES COMPLIANCE REPORTS"), (i) none of the Property Partnerships, any Property-Owning Entity or any member of the Mendik Group has received notice that any certificate, permit or license from any Governmental Entity having jurisdiction over any of the Mendik Properties or any agreement, easement or other right which is necessary to permit the lawful use and operation of the buildings and improvements on any of the Mendik Properties or which is necessary to permit the lawful use and operation of all driveways, roads and other means of egress and ingress to and from any of the Mendik Properties has not been obtained and is not in full force and effect, or of any pending threat of modification or cancellation of any of same that, in the case of any of the foregoing, has not been cured, (ii) none of the Operating Partnership, any member of the Mendik Group, any Property Partnership or any Property-Owning Entity has received written notice of any material violation of any federal, state or municipal law, ordinance, order, regulation or requirement affecting any portion of any of the Mendik Properties issued by any Governmental Entity that has not been cured, or (iii) there is no physical damage to any Mendik Property for which there is no insurance in effect covering the cost of the restoration, except for matters referred to in clauses (i), (ii) and (iii) above which, in the aggregate, do not have a Mendik Material Adverse Effect. Except as set forth in SCHEDULE 3.2(H) to the Mendik Disclosure Letter, except as set forth in the Mendik Engineering Reports and except as set forth in the Mendik Properties Compliance Reports, none of the Operating Partnership, any member of the Mendik Group, any Property Partnership or any Property-Owning Entity has received any notice from any Governmental Entity to the effect that (1) any condemnation or rezoning proceedings are pending or threatened with respect to any of the Mendik Properties or (2) any zoning, building or similar law, code, ordinance, order or regulation is or will be violated by the continued maintenance, operation or use of any buildings or other improvements on any of the Mendik Properties or by the continued maintenance, operation or use of the parking areas, except for any matters referred to in clause (1) or (2) above which, in the aggregate, do not have a Mendik Material Adverse Effect. Except as set forth in SCHEDULE 3.2(H) to the Mendik Disclosure Letter or in the Mendik Engineering Reports, (A) all work to be performed, payments to be made and actions to be taken by the Operating Partnership, any Property Partnership or any Property-Owning Entity prior to the date hereof pursuant to any agreement entered into with a governmental body or authority in connection with a site approval, zoning reclassification or other similar action relating to the Mendik Properties (e.g., Local Improvement District, Road Improvement District, Environmental Mitigation) has been performed, paid or taken, as the case may be, and, (B) to the Knowledge of the Mendik Group,

there are no planned or proposed work, payments or actions that may be required after the date hereof pursuant to such agreements, except for any such planned or proposed work, payments or actions described in clause (A) or (B) which, in the aggregate, if they did not happen, would not reasonably be expected to have a Mendik Material Adverse Effect.

(i) Environmental Matters. Mendik/FW LLC previously provided to Vornado and Vornado Sub a copy of the environmental reports prepared by Law Engineering and Environmental Services, P.C. with respect to each of the Mendik Properties other than 570 Lexington Avenue and by LaBella Associates, P.C. with respect to 570 Lexington Associates (the "MENDIK ENVIRONMENTAL REPORTS"). Except as set forth in the Mendik Environmental Reports, none of the Operating Partnership, any member of the Mendik Group, any Property Partnership or any Property-Owning Entity or, to the Knowledge of the Mendik Group, any other Person has caused or permitted (A) the unlawful presence of any Hazardous Materials on any of the Mendik Properties, or (B) any unlawful spills, releases, discharges or disposal of Hazardous Materials to have occurred or be presently occurring on or from the Mendik Properties as a result of any construction on or operation and use of such properties, which presence or occurrence would, in the aggregate, have a Mendik Material Adverse Effect; and in connection with the construction on or operation and use of the Mendik Properties, the Operating Partnership, the members of the Mendik Group and the Property Partnerships have not failed to comply in any material respect with all applicable local, state and federal environmental laws, regulations, ordinances and administrative and judicial orders relating to the generation, recycling, reuse, sale, storage, handling, transport and disposal of any Hazardous Materials, except to the extent such failure to comply, in the aggregate, would not have a Mendik Material Adverse Effect.

(j) No Employees of the Property Partnerships or the Property-Owning Entities; ERISA Compliance.

(i) None of the Operating Partnership, any Property Partnership or any Property-Owning Entity currently has any employees.

(ii) None of the Operating Partnership, any Property Partnership or any Property-Owning Entity has adopted any bonus, pension, profit sharing, deferred compensation, incentive compensation, share ownership, share purchase, share option, phantom share, retirement, vacation, severance, disability, death benefit, hospitalization, medical or other employee benefit plan, arrangement or understanding (whether or not legally binding or oral or in writing) providing benefits to any current or former employee, officer or director of the Operating Partnership, any Property Partnership or any Property-Owning Entity, or any Person affiliated with any of them under Section 414 (b), (c), (m) or (o) of the Code.

(k) Taxes. Except as set forth in SCHEDULE 3.2(K) to the Mendik Disclosure Letter, each of the Property Partnerships and the Property-Owning Entities has (A) filed all tax returns and reports required to be filed by it (after giving effect to any filing extension properly granted by a Governmental Entity having authority to do so) and all such returns and reports are accurate and complete in all material respects, and (B) paid (or a member of the Mendik Group has paid on its behalf) all Taxes shown on such returns and reports as required to be paid by it, and the Mendik Unaudited Financial Statements reflect an adequate reserve for all material Taxes

payable by any of the Property Partnerships or the Property-Owning Entities for all taxable periods and portions thereof through the Mendik Financial Statements Date. Complete and correct copies of all federal, state and local tax returns and reports for each Property Partnership and Property-Owning Entity and all written communications relating thereto have been delivered or made available to Vornado. Since the Mendik Financial Statements Date, none of the Property Partnerships or Property-Owning Entities has incurred any material liability for Taxes other than Transfer Taxes incurred in connection with the transactions described in Section 2.1 or Taxes incurred in the ordinary course of business. To the Knowledge of the Operating Partnership, the members of the Mendik Group, the Property Partnerships and the Property-Owning Entities, no event has occurred, and no condition or circumstance exists, which presents a material risk that any material Tax described in the preceding sentence with respect to the period described in said sentence, will be imposed upon any of the Property Partnerships or the Property-Owning Entities. Except as set forth in SCHEDULE 3.2(K) to the Mendik Disclosure Letter or as reserved for in the Mendik Unaudited Financial Statements no deficiencies for any Taxes have been assessed or, to the Knowledge of the Mendik Group, proposed or asserted against any of the Property Partnerships or the Property-Owning Entities, and no requests for waivers of the time to assess any such Taxes are pending.

(l) Brokers; Schedule of Fees and Expenses. No broker, investment banker, financial advisor or other Person, other than Merrill, Lynch & Co. ("MERRILL"), the fees and expenses of which have previously been disclosed to Vornado and Vornado Sub and will be paid by the Operating Partnership if the Consolidation is consummated, is entitled, or would, assuming closing of the Transactions be entitled, to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Transactions based upon arrangements made by or on behalf of the Operating Partnership, any member of the Mendik Group, any Property Partnership or any Property-Owning Entity.

(m) Compliance with Laws. Except as set forth in the Mendik Properties Compliance Reports, in SCHEDULE 3.2(M) to the Mendik Disclosure Letter or in the Mendik Unaudited Financial Statements, (i) none of the Property Partnerships, any Property-Owning Entity or any member of the Mendik Group has received notice of any violation or failure to comply with any statute, law, ordinance, regulation rule, judgment, decree or order of any Governmental Entity applicable to the Mendik Properties which has not been cured and (ii) to the Knowledge of the Mendik Group, none of the Operating Partnership, any Property Partnership, any Property-Owning Entity and any member of the Mendik Group has violated or failed to comply with any statute, law, ordinance, regulation, rule, judgment, decree or order of any Governmental Entity applicable to its business or operations, except, with respect to clause (i) or (ii), for any violations and failures to comply (A) with Title III of the Americans with Disabilities Act, as amended (the "ADA") or (B) that would not, in the aggregate, reasonably be expected to result in a Mendik Material Adverse Effect.

(n) Contracts; Debt Instruments.

(i) A complete and correct rent roll for each of the Mendik Properties as of February 1, 1997 has previously been delivered to Vornado. SCHEDULE 3.2(N)(I) to the Mendik Group Disclosure Letter lists all management, leasing, cleaning, security and other

contracts (other than purchase orders, tenant leases and the Property Partnership Agreements) relating to the Mendik Properties that will remain in effect following the Effective Time.

(ii) Except as disclosed in the Mendik Unaudited Financial Statements, none of the Operating Partnership, any Property Partnership or any Property-Owning Entity has received notice of any default that has not been cured under or, to the knowledge of the Mendik Group is in violation of or in default under, (nor, to the Knowledge of the Mendik Group, does there exist any condition which upon the passage of time or the giving of notice or both would cause such a violation of or default under), any material loan or credit agreement, note, bond, mortgage, indenture, lease, permit, concession, franchise, license or any other material contract, agreement, arrangement or understanding, to which it is a party or by which it or any of its properties or assets is bound, except as set forth in SCHEDULE 3.2(N)(II) to the Mendik Disclosure Letter and except for violations or defaults that would not, in the aggregate, result in a Mendik Material Adverse Effect.

(iii) Except as expressly identified in the Mendik Unaudited Financial Statements, (x) SCHEDULE 3.2(N)(III)(A) to the Mendik Disclosure Letter sets forth the outstanding principal amount of mortgage indebtedness secured by each of the Mendik Properties as of December 31, 1996 and (y) SCHEDULE 3.2(N)(III)(B) to the Mendik Disclosure Letter sets forth a list of all loan or credit agreements, notes, bonds, mortgages, indentures and other agreements and instruments evidencing all such mortgage indebtedness that is in effect as of the date hereof and that will be in effect after the Closing Date.

(o) REIT Qualification Tax Matters. SCHEDULE 3.2(O) to the Mendik Disclosure Letter is incorporated herein by reference.

(p) Management Business Assets. Mr. Mendik, Mendik Realty and Mendik Management Company collectively have good and valid title to the Management Business Assets, free and clear of any Liens, except for Liens set forth in SCHEDULE 3.2(P)(1) to the Mendik Disclosure Letter and except for Liens which, in the aggregate, do not have a Mendik Material Adverse Effect. Except as set forth in SCHEDULE 3.2(P)(2) to the Mendik Disclosure Letter and except for interests in real property, the Management Business Assets comprise substantially all of the assets of the Existing Mendik Management Entities. Except as set forth in SCHEDULE 3.2(P)(3) to the Mendik Disclosure Letter and except for such breaches or defaults as would not have, in the aggregate, a Mendik Material Adverse Effect, the Existing Mendik Management Entities have not breached any of the contracts included in the Management Business Assets and, to the Knowledge of the Mendik Group, no other party to any of such contracts has breached or defaulted under the terms thereof. A true and complete copy of each of the contracts included in the Management Business Assets has previously been provided to or made available to Vornado.

(q) Interim Operations of the Operating Partnership. The Operating Partnership was formed for the purpose of acquiring the Mendik Property Interests and certain interests in the Management Business Assets, which acquisitions were proposed to occur in connection with an initial public offering by the Initial General Partner. The Operating Partnership has not engaged in any business activities or conducted any operations other than in

connection with the proposed initial public offering by the Initial General Partner or the transactions contemplated by this Agreement.

SECTION 3.3 Additional Representations and Warranties of Mendik/FW LLC. Mendik/FW LLC represents and warrants to the Operating Partnership as follows, which representations and warranties shall be true and shall be given only as of the date of this Agreement (except that any representation and warranty that speaks as of the Effective Time shall be true and shall be given as of the Effective Time):

(a) Authority; Noncontravention; Consents.

(i) Each of the Operating Partnership and each member of the Mendik Group has the requisite power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement to which it is a party. The execution and delivery of this Agreement by each of the Operating Partnership and each member of the Mendik Group and the consummation by each of them of the transactions contemplated by this Agreement to which it is a party have been duly authorized by all necessary corporate, partnership or other action on the part of each of them. The execution and delivery of this Agreement by each of the Operating Partnership and each member of the Mendik Group do not, and, except for Partner Consents and as set forth in SCHEDULE 3.2(D) to the Mendik Disclosure Letter, the consummation of the transactions contemplated by this Agreement to which the Operating Partnership or any member of the Mendik Group (as the case may be) is a party and compliance by each of the Operating Partnership and each member of the Mendik Group with the provisions of this Agreement will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or result in the creation of any Lien upon any of the properties or assets of the Operating Partnership, any member of the Mendik Group, any Property Partnership or any Property-Owning Entity under, (A) the applicable organizational documents of any of them, each as amended or supplemented to the date of this Agreement and as of the Effective Time, or (B) any loan or credit agreement, note, bond, mortgage, indenture, reciprocal easement agreement, lease or other agreement, instrument, permit, concession, franchise or license applicable to the Operating Partnership, any member of the Mendik Group, any Property Partnership or any Property-Owning Entity or their respective properties or assets, other than, in the case of clause (B), any such conflicts, violations, defaults, rights or Liens that, individually or in the aggregate, would not (x) have a material adverse effect on the business, properties, assets, financial condition or results of operations of the Operating Partnership (considered as it is expected to be constituted immediately following the Effective Time), the applicable Property Partnership or the applicable Property-Owning Entity (each, as applicable, a "PARTNERSHIP MATERIAL ADVERSE EFFECT") or (y) prevent the consummation of any of the Transactions.

(ii) As of the Effective Time, all Partner Consents and the consents of the Major Partner and the M/S Limited Partners to the transfer of their interests in the Property Partnerships will be in full force and effect and will represent valid and binding obligations of each respective Partner, the Major Partner or each of the M/S Limited Partners, as applicable, enforceable against each such Person in accordance with its terms, except as such enforcement may be limited by (A) applicable bankruptcy or insolvency laws (other than laws affecting creditors' rights generally) or (B) general principles of equity.

(b) Undisclosed Liabilities. Except as set forth in the tenant lease abstracts relating to tenant leases at the Mendik Properties which have previously been provided to Vornado or in SCHEDULE 3.2(E)(II) to the Mendik Disclosure Letter, (i) to the Knowledge of the Mendik Group, none of the Mendik Audited Entities has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) required by GAAP to be set forth on a balance sheet of any of such entities or in the notes thereto that is not so set forth in the Mendik Draft Audited Financial Statements or the audited financial statements to be provided to Vornado pursuant to Section 5.19 or otherwise (the "MENDIK AUDITED FINANCIAL STATEMENTS," and, together with the Mendik Unaudited Financial Statements, the "MENDIK FINANCIAL STATEMENTS") and (ii) none of the Mendik Unaudited Entities has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) that is not reflected in the Mendik Final Unaudited Financial Statements, except for, in the case of (i) and (ii) above, such liabilities and obligations which would not, individually or in the aggregate, have a Partnership Material Adverse Effect; provided, however, if the Mendik Audited Financial Statements with respect to a Mendik Audited Entity do not present substantially the same financial position and results of operations and cash flows as are set forth in the Mendik Draft Audited Financial Statements for such entity, then such entity shall be deemed to be a "Mendik Unaudited Entity" for purposes of this Section 3.3(b).

(c) Litigation. Except as disclosed in the Mendik Financial Statements or in SCHEDULE 3.2(G) to the Mendik Disclosure Letter, and other than personal injury and other routine tort litigation (including potential claims referred to in accident reports maintained by the Mendik Group) that has arisen from the ordinary course of operations of the Operating Partnership, the members of the Mendik Group, the Property Partnerships and the Property-Owning Entities which are covered by adequate insurance (other than deductibles), there is no suit, action or proceeding pending or, to the Knowledge of the Mendik Group, threatened against or affecting the Operating Partnership, any member of the Mendik Group, any Property Partnership or any Property-Owning Entity which, if determined adversely to the Operating Partnership, any member of the Mendik Group, any Property Partnership or any Property-Owning Entity, individually or in the aggregate, could reasonably be expected to (A) have a Partnership Material Adverse Effect or (B) prevent the consummation of any of the Transactions.

(d) Title to Management Assets. Mr. Mendik, Mendik Realty and Mendik Management Company collectively have good and valid title to the Management Business Assets free and clear of any Liens, except for Liens set forth in SCHEDULE 3.2(P)(1) and except for Liens which, individually or in the aggregate, do not have a material adverse effect on the business, properties, assets, financial condition or results of operations of the applicable Existing Mendik Management Entity. Except as set forth in SCHEDULE 3.2(P)(2) and except for interests in real property, the Management Business Assets comprise substantially all of the assets of the Existing Mendik Management Entities.

(e) Compliance with Laws. To the Knowledge of the Mendik Group, except as set forth in the Mendik Properties Compliance Reports, in SCHEDULE 3.2(M) to the Mendik Disclosure Letter or in the Mendik Financial Statements, none of the Operating Partnership, any member of the Mendik Group, any Property Partnership or any Property-Owning Entity has violated or failed to comply with any statute, law, ordinance, regulation, rule, judgment, decree

or order of any Governmental Entity, except for (i) violations and failures to comply with respect to the use or operation of any of the Mendik Properties (including, without limitation, violations of the ADA) and (ii) violations and failures to comply that would not, individually or in the aggregate, reasonably be expected to result in a Partnership Material Adverse Effect.

(f) No Liens on Partners' Interests. Except for pledges of partnership interests to a Property Partnership or the other partners to secure a partner's obligations to meet capital calls or other obligations in such amounts as are set forth in the Property Partnership Agreements and except as contemplated in the Financing Transaction relating to Two Penn Plaza, as of the Effective Time, to the Knowledge of the Mendik Group, there will be no Liens on the interests of the Major Partner, the M/S Limited Partners, B&B, 1740 Broadway Investment Company, 570 Lexington Associates, 570 Lexington Investors, M 393 Associates, M Eleven Associates or any of the Partners in any of the Property Partnerships or any of the Property-Owning Entities.

(g) REIT Qualification Tax Matters. As of the Effective Time, the representation made in SECTION 3.2(O) will be true and correct.

ARTICLE IV

COVENANTS

SECTION 4.1 Conduct of Business by each of the Operating Partnership, the Property Partnerships and the Property-Owning Entities. During the period from the date of this Agreement to the Effective Time, the Mendik Group shall cause (or, in the case of the Property Partnerships and the Property-Owning Entities, shall use commercially reasonable efforts to cause, subject to any obligations imposed by the Property Partnership Agreements, loan agreements and the fiduciary duties of the Managing General Partners) the Operating Partnership, each of the Existing Mendik Management Entities, each Property Partnership and each Property-Owning Entity to (i) carry on its businesses in the usual, regular and ordinary course in substantially the same manner as heretofore conducted and, to the extent consistent therewith, use commercially reasonable efforts to preserve intact its current business organization, goodwill and ongoing businesses, (ii) maintain insurance policies on the Mendik Properties of the same kind and the same amount as the insurance policies in effect with respect to the Mendik Properties as of the date of this Agreement, (iii) confer on a regular basis with representatives of Vornado regarding material matters relating to such businesses, (iv) promptly notify Vornado of any material emergency or other material change in the condition (financial or otherwise), business, properties, assets, liabilities, prospects or the normal course of its businesses or in the operation of its properties, or of any material governmental complaints, investigations or hearings (or communications indicating that the same may be contemplated), and (v) duly and timely file all reports, tax returns and other documents required to be filed with Federal, state, local and other authorities, subject to extensions permitted by law.

Without limiting the generality of the foregoing, during the period from the date of this Agreement to the Effective Time, except as set forth in SCHEDULE 4.1 to the Mendik Disclosure Letter, without the written consent of Vornado, the Mendik Group shall cause (or, in the case of the Property Partnerships and the Property-Owning Entities, shall use commercially reasonable efforts to cause, subject to any obligations imposed by the Property Partnership Agreements, loan agreements and the fiduciary duties of the Managing General Partners) the Operating Partnership, each Property Partnership and each Property-Owning Entity not to (and not to authorize or commit or agree to):

(a) (i) declare, set aside or pay any dividends on, or make any other distributions in respect of, the capital stock, beneficial interests or any ownership interests of the Operating Partnership, any Property Partnership or any Property-Owning Entity, except for (w) anticipated distributions to the Partners and the Major Partner by the Property Partnerships as set forth in SCHEDULE 4.1 to the Mendik Disclosure Letter, (x) payments to the Major Partner under the terms of the Major Partner Agreements, (y) payments to certain lenders under the agreements relating to the Financing Transactions (as hereinafter defined) as set forth in SCHEDULE 4.1 to the Mendik Disclosure Letter and (z) distributions by certain of the Property Partnerships of cash out of the cash reserves of such Property Partnerships to or on behalf of the Partners, the M/S Limited Partners and the Major Partner pursuant to the Partner Interest Contribution Agreements,

the M/S Limited Partners Agreements or the Major Partner Agreements, as applicable, and as contemplated by this Agreement, (ii) split, combine or reclassify any capital stock, beneficial interests or any other ownership interests or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of such capital stock, shares of beneficial interest, partnership interests or other ownership interests, or (iii) purchase, redeem or otherwise acquire any shares of such capital stock, shares of beneficial interest, partnership interests or other ownership interests or any options, warrants or rights to acquire, or security convertible into, shares of such capital stock, shares of such beneficial interest, such partnership interests or such other ownership interests;

(b) except as contemplated by this Agreement, issue, deliver or sell, or grant any option or other right in respect of, any shares of capital stock, other voting securities, shares of beneficial interest, partnership interests or other ownership interests of the Operating Partnership, any Property Partnership or any Property-Owning Entity or any securities convertible into, or any rights, warrants or options to acquire, any such shares of capital stock, other voting securities, shares of beneficial interest, partnership interests, other ownership interests or convertible securities;

(c) except as contemplated by this Agreement, amend the Operating Partnership Agreement, any Property Partnership Agreement or the Major Partner Agreements (except as provided in Section 5.17) or the M/S Limited Partners Agreements;

(d) except as contemplated by this Agreement, merge or consolidate with any Person;

(e) except as contemplated by this Agreement, in any transaction or series of related transactions involving capital, securities or other assets or indebtedness of the Operating Partnership, any Property Partnership, any Property-Owning Entity or any combination thereof, without obtaining the prior written consent of Vornado, which consent shall not unreasonably be withheld or delayed: (i) acquire or agree to acquire by purchasing all or a substantial portion of the equity securities or all or substantially all of the assets of, or by any other manner, any business or any corporation, partnership, limited liability company, joint venture, association, business trust or other business organization or division thereof or interest therein; (ii) subject to any material Encumbrance or Lien or sell, lease (excluding tenant leases) or otherwise dispose of any of the Mendik Properties (or any interests therein or portion thereof), the Management Business Assets or any other material assets, or assign or encumber the right to receive income, dividends, distributions and the like from such assets; or (iii) incur any indebtedness for borrowed money or guarantee any such indebtedness of another Person, issue or sell any debt securities or warrants or other rights to acquire any debt securities of the Operating Partnership, any Property Partnership or any Property-Owning Entity, enter into any "keep well" or other agreement to maintain any financial statement condition of another person or enter into any arrangement having the economic effect of any of the foregoing, prepay or refinance any indebtedness or make any loans, advances or capital contributions to, or investments in, any other Person (provided, however, that (1) the Mendik Group shall have the right to obtain financing on behalf of 570 Lexington Associates or 570 Lexington Company, to cover anticipated capital needs at the 570 Lexington Avenue property, and (2) the Mendik Group shall have the right to

settle the current dispute regarding the principal amount of the loan secured by the 330 Madison Avenue property with the lender thereof (A) at any time on or before April 13, 1997, or (B) thereafter, at any time at least thirty (30) days prior to the date on which the maturity date of the loan would otherwise be accelerated, taking into account any standstill or extension agreement reached with the lender or any agreement of 330 Madison Company to make sufficient payment to the lender so as to avoid an accelerated maturity of the loan (but in no event less than ninety (90) days prior to the stated maturity of the loan); provided further, that, notwithstanding clause (2) above, the Mendik Group shall consult with Vornado and the Operating Partnership regarding the discussions with such lender and 330 Madison Company's strategy in connection therewith);

(f) make any tax election (unless required by law or necessary to preserve the status of the Management LLC, the Operating Partnership, any Property Partnership or any Property-Owning Entity as a partnership for federal income tax purposes), except for elections under Section 754 of the Code made by any Property-Owning Entity (excluding Two Park Company) made after consultation with Vornado;

(g) (i) change in any material manner any of its methods, principles or practices of accounting from those upon which the Mendik Financial Statements were prepared, or (ii) make or rescind any express or deemed election relating to taxes, settle or compromise any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to taxes, except in the case of settlements or compromises relating to certiorari proceedings with respect to real estate taxes for any years for which the applicable real estate tax returns are not closed, or change any of its methods of reporting income or deductions for federal income tax purposes from those employed in the preparation of its federal income tax returns for the most recently completed taxable year except, in the case of clause (i), as may be required by applicable law or GAAP;

(h) subject to Section 4.1(i), pay, discharge, settle or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction of any of the foregoing in the ordinary course of business consistent with past practice or in accordance with their terms, of liabilities reflected or reserved against in, or contemplated by, the Mendik Financial Statements (or the notes thereto) or incurred in the ordinary course of business consistent with past practice;

(i) except for the settlement of the currently existing litigation involving certain members of the Mendik Group, the M/S Limited Partners and certain Affiliates of the M/S Limited Partners on the terms set forth in the M/S Limited Partners Agreements, settle any litigation claims against the Operating Partnership or any Property Partnership that are not covered by insurance (other than deductibles) (including any shareholder derivative or class action claims arising out of or in connection with any of the Transactions);

(j) make any loans, advances or capital contributions to, or investments in, any other Person, other than loans, advances and capital contributions by Mendik 570 Corp and 570 Lexington Investors to 570 Lexington Company, pursuant to the terms of the Agreement of Limited Partnership of 570 Lexington Company as in effect on the date hereof;

(k) distribute any casualty, condemnation or other disposition proceeds; or

(l) enter into a lease with a tenant for space at any Mendik Property, other than leases (i) for which a signed letter of intent has been entered into and disclosed to Vornado prior to the date of this Agreement or (ii) which relate to, individually or in a series of related leases, less than 50,000 square feet at any of the Mendik Properties.

SECTION 4.2 Conduct of Business by Vornado. During the period from the date of this Agreement to the Effective Time, Vornado shall, and shall cause (or, in the case of Vornado Subsidiaries that Vornado does not control, shall use commercially reasonable efforts to cause) the Vornado Subsidiaries each to (i) carry on its businesses in the usual, regular and ordinary course in substantially the same manner as heretofore conducted and, to the extent consistent therewith, use commercially reasonable efforts to preserve intact its current business organization, goodwill and ongoing businesses, (ii) confer on a regular basis with representatives of Mendik/FW LLC to report operational matters which would have a Vornado Material Adverse Effect, (iii) promptly notify Mendik/FW LLC of any material emergency or other material change in the condition (financial or otherwise), business, properties, assets, liabilities, prospects or the normal course of its businesses or in the operation of its properties, or of any material governmental complaints, investigations or hearings (or communications indicating that the same may be contemplated), (iv) maintain its books and records in accordance with GAAP consistently applied, (v) duly and timely file all reports, tax returns and other documents required to be filed with Federal, state, local and other authorities, subject to extensions permitted by law and (vi) promptly deliver to Mendik/FW LLC true and correct copies of any report, statement or schedule filed with the SEC subsequent to the date of this Agreement; provided, however, for purposes of this Section 4.2 only, an emergency, change, complaint, investigation or hearing shall be deemed material only if it would reasonably be expected to have a Vornado Material Adverse Effect.

In addition, during the period from the date of this agreement to the Effective Time, Vornado shall not issue any Vornado Common Shares or other securities convertible into Vornado Common Shares to any Affiliates of Vornado except (i) pursuant to the terms of the Vornado Benefit Plans, (ii) pursuant to an agreement entered into by Vornado and an Affiliate of Vornado prior to the date of this Agreement or (iii) for Vornado Common Shares or other securities convertible into Vornado Common Shares which are issued in exchange for fair value, as determined in good faith by the disinterested members of Vornado's Board of Trustees.

SECTION 4.3 Other Actions.

(a) Mendik/FW LLC shall not and shall cause (or, in the case of members of the Mendik Group that Mendik/FW LLC does not control, the Property Partnerships and the Property-Owning Entities, Mendik/FW LLC shall use commercially reasonable efforts to cause, subject, in the case of the Property Partnerships and the Property-Owning Entities, to the Property Partnership Agreements, any loan agreements and the fiduciary duties of the Managing General Partners) each member of the Mendik Group and each Property Partnership or Property-Owning Entity not to take or omit to take any action in bad faith that would result in (x) any of

the representations and warranties of such party (without giving effect to any "Knowledge" qualification and without respect to the date as of which any such representations and warranties are made) set forth in this Agreement that are qualified as to materiality becoming untrue, (y) any of such representations and warranties (without giving effect to any "Knowledge" qualification and without respect to the date as of which any such representations and warranties are made) that are not so qualified becoming untrue in any material respect or (z) except as contemplated by Article VII, any of the conditions to the Consolidation set forth in Article VI not being satisfied.

(b) Vornado shall not and shall cause (or, in the case of Vornado Subsidiaries that Vornado does not control, shall use commercially reasonable efforts to cause) any Vornado Subsidiary not to take or omit to take any action in bad faith that would result in (x) any of the representations and warranties of such party (without giving effect to any "Knowledge" qualification and without respect to the date as of which any such representations and warranties are made) set forth in this Agreement that are qualified as to materiality becoming untrue, (y) any of such representations and warranties (without giving effect to any "Knowledge" qualification and without respect to the date as of which any such representations and warranties are made) that are not so qualified becoming untrue in any material respect or (z) except as contemplated by Article VII, any of the conditions to the Consolidation set forth in Article VI not being satisfied.

ARTICLE V

ADDITIONAL COVENANTS

SECTION 5.1 Preparation of the Memorandum.

(a) As soon as practicable following the date of this Agreement, (i) Vornado, the Operating Partnership and the Mendik Group shall prepare a Confidential Solicitation of Consents and Private Placement Memorandum relating to the offer by the Operating Partnership to acquire the interests of the Partners (other than 1740 Broadway Investment Company and the 1740 Broadway Cash Investors) in the Property Partnerships (the "MEMORANDUM") in form and substance satisfactory to each of Vornado, the Operating Partnership and the Mendik Group and (ii) the Mendik Group shall use its commercially reasonable efforts to cause the Memorandum to be mailed as promptly as practicable to the Partners (other than 1740 Broadway Investment Company and the 1740 Broadway Cash Investors) (and their distributees). Whenever any event occurs which is required to be set forth in an amendment or supplement to the Memorandum, Vornado, the Operating Partnership or the Mendik Group, as the case may be, shall promptly inform each of the others of such occurrence and cooperate in mailing to the Partners (other than 1740 Broadway Investment Company and the 1740 Broadway Cash Investors) (and their distributees) such amendment or supplement. Vornado or the Operating Partnership, as the case may be, shall take any action required to be taken under any applicable state securities or "blue sky" laws in connection with the issuance of Vornado Common Shares or Units pursuant to the Transactions, and the other parties shall furnish all information concerning such party and the holders of the ownership interests in such party and rights to acquire ownership interests as may be reasonably requested in connection with any such action.

(b) As soon as practicable following the date of this Agreement, (i) Vornado, the Operating Partnership and the Mendik Group shall prepare a Confidential Solicitation of Consents relating to the offer by the Operating Partnership to acquire the interests of the 1740 Broadway Cash Investors (the "1740 SOLICITATION DOCUMENT") in form and substance satisfactory to each of Vornado, the Operating Partnership and the Mendik Group and (ii) the Mendik Group shall use its commercially reasonable efforts to cause the 1740 Solicitation Document to be mailed as promptly as practicable to the 1740 Broadway Cash Investors. Whenever any event occurs which is required to be set forth in an amendment or supplement to the 1740 Solicitation Document, Vornado, the Operating Partnership or the Mendik Group, as the case may be, shall promptly inform each of the others of such occurrence and cooperate in mailing to the 1740 Broadway Cash Investors such amendment or supplement.

SECTION 5.2 Access to Information; Confidentiality.

(a) Subject to the requirements of confidentiality agreements with third parties entered into prior to January 25, 1997, as amended, Vornado, the Operating Partnership and each member of the Mendik Group that is an entity shall, and shall cause each of its respective subsidiaries and affiliates that is an entity and any employees, agents, officers, directors,

shareholders, partners and advisors of itself or any of its subsidiaries or affiliates that are entities to, (i) afford to the other parties and to the officers, employees, accountants, counsel, financial advisors and other representatives of such other parties, reasonable access during normal business hours prior to the Effective Time to all of their respective properties, books, contracts, commitments, personnel and records, (ii) during such period, furnish promptly to the other parties (A) as applicable, a copy of each report, schedule, registration statement and other document filed by it during such period pursuant to the requirements of federal or state securities laws, (B) all other information concerning its business, properties and personnel as any other party may reasonably request and (C) reports heretofore or hereafter furnished to any of the foregoing entities or persons by securities analysts or accountants, (iii) hold, any nonpublic information now or hereafter acquired from any of the parties in strict confidence and shall not use such information for any purpose except in connection with the Transactions and shall not disclose any such information to any Person other than its own subsidiaries and directors, trustees, officers, employees, accountants, counsel, financial advisors and other representatives and affiliates without the prior written consent of the party whose nonpublic information would be disclosed; provided, however, that, notwithstanding the foregoing: (1) the Operating Partnership or the Property Partnerships may, without the prior written consent of Vornado, discuss or disclose any of such information to (v) lenders with respect to the Financing Transactions (as defined below), (w) the Major Partner, (x) the M/S Limited Partners or one or more of the Partners, (y) the Persons listed in SCHEDULE 5.2 to the Mendik Disclosure Letter and (z) the respective officers, employees, accountants, counsel, financial advisors and other representatives of any of the foregoing for the purpose of providing information to, or engaging in discussions with, such persons and their representatives with respect to the Transactions; (2) Vornado may, without the prior written consent of the Mendik Group, discuss or disclose any of such information to any Persons from whom consents are or may be required as listed in SCHEDULE 3.1(D) to the Vornado Disclosure Letter; and (3) Vornado, the Operating Partnership, any of the Property Partnerships and any member of the Mendik Group may, without the prior written consent of any party hereto, discuss or disclose any of such information to any Persons to whom disclosure of such information was previously permitted pursuant to any confidentiality agreements between or among any of the parties hereto.

(b) The obligations set forth in Section 5.2(a) shall not apply to any information which (i) becomes generally available to the public, other than as a result of a disclosure of such nonpublic information by a party in violation of this Section 5.2, (ii) was available to a party or to such party's subsidiaries and directors, trustees, officers, employees, accountants, counsel, financial advisors and other representatives and affiliates on a non-confidential basis prior to the date of this Agreement, (iii) becomes available to a party through a Person not otherwise bound by the terms of any confidentiality agreement or provision (or other applicable restriction prohibiting disclosure) with respect thereto or (iv) is required to be disclosed by applicable law, regulation or legal process or is required by the rules or policies of the New York Stock Exchange in order to maintain current trading in Vornado Common Shares (in which event Vornado shall comply with the provisions of Section 5.7). In the event a party becomes legally obligated to disclose any nonpublic information with respect to another party, the disclosing party shall promptly notify the other party in writing prior to any such disclosure so that the other party may seek a protective order or other appropriate remedy. At the request of

another party, any party holding nonpublic information of such other party shall promptly return such information to such other party or, at the direction of such other party, cause to be destroyed such nonpublic information.

(c) The confidentiality provisions contained in this Section 5.2 supersede any and all prior agreements or understandings, whether written or oral, between or among the parties with respect to the matters covered by this Section 5.2.

(d) The parties expressly agree that, notwithstanding anything else contained in this Agreement to the contrary, the provisions of this Section 5.2 shall survive after any termination of this Agreement pursuant to Section 8.1.

SECTION 5.3 Commercially Reasonable Efforts; Notification.

(a) Subject to the terms and conditions herein provided, Vornado, the Operating Partnership and the members of the Mendik Group shall: (i) use all commercially reasonable efforts to cooperate with one another in (A) determining which filings are required to be made prior to the Effective Time with, and which consents, approvals, permits or authorizations are required to be obtained prior to the Effective Time from, Governmental Entities and any third parties in connection with the execution and delivery of this Agreement, and the consummation of the Transactions and (B) timely making all such filings and timely seeking all such consents, approvals, permits and authorizations; (ii) use all commercially reasonable efforts to obtain in writing any consents required from third parties to effectuate the Consolidation, such consents to be in form reasonably satisfactory to the Operating Partnership, Vornado and the Mendik Group; and (iii) use all commercially reasonable efforts to take, or cause to be taken, all other actions and do, or cause to be done, all other things necessary, proper or appropriate to consummate and make effective the Transactions. If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purpose of this Agreement, the proper officers and trustees of Vornado, and, where appropriate, the proper representatives of the Operating Partnership and the Mendik Group, shall take all such necessary action.

(b) The Operating Partnership and the Mendik Group shall give prompt notice to Vornado, and Vornado or Vornado Sub shall give prompt notice to the Operating Partnership and the Mendik Group, of the failure by it to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under this Agreement; provided, however, that no such notification shall affect the covenants or agreements of the parties or the conditions to the obligations of the parties under this Agreement.

SECTION 5.4 Tax Treatment; Legal Opinions. Each of Vornado, the Operating Partnership and each member of the Mendik Group shall use its commercially reasonable efforts (i) to cause the transfer of assets to the Operating Partnership(whether by contribution, merger or otherwise) not to result in the recognition of any taxable income or gain for federal income tax purposes other than as a result of Section 752 of the Code and (ii) to obtain the opinions of counsel referred to in Sections 6.1(e), 6.2(c) and 6.3(c).

SECTION 5.5 Vornado Voting Agreement. At Closing, certain shareholders of Vornado shall enter into a voting agreement with respect to election of Mr. Mendik as a member of the Board of Trustees of Vornado substantially in the form of EXHIBIT J (the "VORNADO VOTING AGREEMENT").

SECTION 5.6 No Solicitation of Transactions by the Mendik Group. Unless and until this Agreement is terminated in accordance with its terms, (a) subject to Section 7.1, no member of the Mendik Group shall, directly or indirectly, through any members, partners, directors, officers, employees, agents or others under its control (as the case may be), in any manner invite, solicit, encourage or initiate any inquiries, proposals, discussions or negotiations by or with any Person (other than Vornado and its affiliates, representatives and agents), or participate in or continue any such discussions or negotiations, or provide any confidential information or data to any third party concerning, any Competing Transaction (as defined below) and (b) the Mendik Group shall notify Vornado in writing (as promptly as practicable) in the event that it receives any inquiries, proposals or requests for information relating to any Competing Transaction. For purposes of this Agreement, (i) "COMPETING TRANSACTION" shall mean any sale, transfer or other disposition or roll-up (other than in connection with a debt financing) with a third party (or group acting together), in a single transaction or series of related transactions, involving more than two million square feet of office space in one or more of the Mendik Core Assets (as defined below) or the ownership interests therein to be contributed to the Operating Partnership (or Vornado) pursuant to this Agreement except in connection with (A) the Transactions or (B) the proposed initial public offering of The Mendik Company, Inc. as described in Amendment No. 1 to the Registration Statement dated January 29, 1997; and (ii) "MENDIK CORE ASSETS" shall mean the 330 Madison Avenue property, the Two Park Avenue property, the Two Penn Plaza property, the 1740 Broadway property, the 866 United Nations Plaza property and the Eleven Penn Plaza property.

SECTION 5.7 Public Announcements. Subject to the provisions of Section 5.2(b) with respect to the disclosure of nonpublic information of another party, Vornado and Vornado Sub on the one hand and the Operating Partnership and the members of the Mendik Group on the other hand shall not issue any press release or make any written public statement with respect to any of the Transactions without the consent of the other party, except as may be required, based upon advice of counsel, by applicable law, pursuant to court process or by obligations pursuant to any listing agreement with any national securities exchange (in each of which events the disclosing party shall consult with the other before issuing, and provide the other the opportunity to review and comment upon, any such press release or other such public statement). The parties agree that the initial press release to be issued with respect to any of the Transactions will be in the form agreed to by the parties hereto prior to the execution of this Agreement.

SECTION 5.8 Transfer Taxes. Vornado, the Operating Partnership and the Mendik Group shall cooperate in the preparation, execution and filing of all returns, questionnaires, applications or other documents regarding any real property transfer, sales, use, transfer, value added, stock transfer and stamp taxes, any transfer, recording, registration and other fees and any similar taxes (together with any related interests, penalties or additions to tax,

"TRANSFER TAXES") which become payable in connection with the Transactions, which such Transfer Taxes shall be paid by the Major Partner, the M/S Limited Partners or the individual Partners (or on behalf of such Partners by the Managing General Partners) as described in the Major Partner Agreements, the M/S Limited Partners Agreements or the Partner Interest Contribution Agreements, as applicable. Notwithstanding the foregoing, from and after the Effective Time, the Operating Partnership shall pay, without deduction or withholding from any amounts payable hereunder, all Transfer Taxes to the extent the same arise by reason of the Operating Partnership's acquisition, directly or indirectly, of additional interests in the Mendik Properties in which the Operating Partnership will own, directly or indirectly, some but not all of the interests immediately following the Effective Time (other than (i) any such Transfer Taxes incurred in connection with the Consolidation that are to be paid by the Major Partner, the M/S Limited Partners or the individual Partners in the Property Partnerships from distributions by the Property Partnerships made prior to the Closing as described in the Major Partner Agreements, the M/S Limited Partners Agreements or the Partner Interest Contribution Agreements, as applicable and (ii) any such Transfer Taxes to the extent they would not have been imposed but for a Unitholder's failure to comply with any applicable holding period requirements, including the holding period requirements, with respect to certain transfers to REITs imposed in connection with the New York Real Estate Transfer Tax of Article 31 of the Tax Law and the New York City Real Property Transfer Tax imposed by Title II of Chapter 46 of the Administrative Code of the City of New York).

SECTION 5.9 Benefit Plans and Other Employee Arrangements.

(a) Benefit Plans. After the Effective Time, Vornado shall provide benefits to employees of the Mendik Group employed by Vornado that are not less favorable to such employees than those currently provided to such employees by the Mendik Group. With respect to any Vornado Benefit Plan which is an "employee benefit plan" as defined in Section 3(3) of ERISA, solely for purposes of determining eligibility to participate, vesting and entitlement to benefits, service with the Mendik Group shall be treated as service with Vornado or the Vornado Subsidiaries (as applicable); provided, however, that such service shall not be recognized to the extent that such recognition would result in a duplication of benefits (or is not otherwise recognized for such purposes under the Vornado Benefit Plans). With respect to medical benefits provided by Vornado on and after the Closing Date, coverage that would otherwise be denied due to a preexisting illness shall be provided to those employees who were covered by a plan sponsored by the Mendik Group before the Closing Date, but only to the extent that such illness was covered under such a plan before the Closing Date. Except as otherwise provided herein (including pursuant to subsections (b) and (c) below), Vornado shall be under no obligation to maintain the compensation and benefits currently provided by the Mendik Group to its employees.

(b) Employment Agreements.

(i) At the Closing, Vornado shall enter into a Noncompetition Agreement with Mr. Mendik substantially in the form of EXHIBIT K-1; and

(ii) At the Closing, Vornado shall enter into an Employment Agreement with Mr. Greenbaum substantially in the form of EXHIBIT K-2.

(c) Noncompetition and Severance Agreements. At the Closing, Vornado shall enter into a Severance and Noncompetition Agreement with each of Christopher G. Bonk, Michael M. Downey, John J. Silberstein, David L. Sims and Kevin R. Wang which shall become effective as of the Effective Time and shall be substantially in the form of EXHIBIT L-1. In addition, at the Closing, Vornado shall agree to indemnify each of Christopher G. Bonk, Michael M. Downey, John J. Silberstein, David L. Sims and Kevin R. Wang with respect to any actions taken by any of them as employees of Vornado pursuant to a letter substantially in the form of EXHIBIT L-2.

(d) Employee Options. At the Closing, Vornado shall grant to certain employees of the Mendik Group, as determined by the Mendik Group, a total of 86,000 options, in the aggregate, to purchase Vornado Common Shares upon the same terms and conditions as grants currently are made to Vornado employees under the Vornado Benefit Plans.

(e) No Employees at the Property Partnerships or the Property-Owning Entities. Between the date of this Agreement and the Effective Time, none of the Operating Partnership, the Property Partnerships and the Property-Owning Entities shall hire any person as an employee without the prior written consent of Vornado.

SECTION 5.10 Service Business Transactions. At the Closing:

(a) The Operating Partnership shall enter into a Master Property Services Agreement (Wholly-Owned Properties) and all related agreements contemplated thereby with the Mendik Cleaning Company and the Mendik Security Company with respect to the Mendik Properties in which the Operating Partnership will own 100% of the interests (the "MASTER PROPERTY SERVICES AGREEMENT (WHOLLY-OWNED PROPERTIES)") substantially in the form of EXHIBIT N.

(b) The Operating Partnership shall enter into a Master Property Services Agreement (Partially-Owned Properties) with the Mendik Cleaning Company and the Mendik Security Company with respect to the Mendik Properties in which the Operating Partnership will not own 100% of the interests (the "MASTER PROPERTY SERVICES AGREEMENT (PARTIALLY-OWNED PROPERTIES)") substantially in the form of EXHIBIT O.

SECTION 5.11 Amendment of M330 Associates Property Partnership Agreement. At the Closing, the Operating Partnership and the Mendik Partnership shall execute an amendment to the M 330 Associates Property Partnership Agreement (the "M 330 AMENDMENT") substantially in the form of EXHIBIT P.

SECTION 5.12 Major Partner Agreements.

(a) In the event the Closing has not occurred on or prior to the later of (A) April 15, 1997 and (B) such later date to which the closing under the Major Partner Agreements may be extended (the "OUTSIDE DATE"), and this Agreement has not yet been terminated prior to the Outside Date, then, subject to Section 5.12(b) and Section 5.12(f), Vornado, or its subsidiary (the "VORNADO 1740 SUB"), shall on the Outside Date:

(i) pay or cause to be paid to Mendik/FW LLC $750,000, representing an amount equal to the downpayment made by Mendik/FW LLC pursuant to the Major Partner Agreement with respect to the acquisition of the Major Partner's interest in 1740 Broadway Associates (the "1740 MAJOR PARTNER AGREEMENT") in consideration for which Mendik/FW LLC shall assign its interest in the 1740 Major Partner Agreement to Vornado 1740 Sub and Vornado 1740 Sub shall assume the obligations of Mendik/FW LLC thereunder (including payment of the balance of the purchase price thereunder in the amount of $72,250,000);

(ii)(A) close under the 1740 Major Partner Agreement in accordance with the terms thereof, provided that the acquisition of such interest shall not result in any cost or expense to Vornado or Vornado 1740 Sub or any material liability other than funding (w) the balance of the purchase price of $72,250,000, (x) the distribution to the Major Partner of $2,486,212, (y) the required escrows under the lease with William Douglas McAdams (which are in the estimated aggregate amount of approximately $1,800,000 which shall be funded from the cash reserves of 1740 Broadway Associates) and (z) Transfer Taxes incurred in connection with the 1740 Major Partner Agreement to the extent such Transfer Taxes exceed $2,250,000 (which excess Transfer Taxes, if any, shall be funded from the Initial Reserve);

(ii)(B) at the Closing or thereafter, in the event there are insufficient cash reserves in 1740 Broadway Associates or cash flow to fund costs and escrows described in (ii)(A) above (other than the balance of the purchase price), Vornado 1740 Sub shall pay an additional amount up to the Initial Reserve, which shall also be available for working capital and similar requirements;

(iii) deliver to 1740 Broadway Investment Company (A) $3,250,000 in consideration for the interests of 1740 Broadway Investment Company in 1740 Broadway Associates with the closing of the sale of the interests of 1740 Broadway Investment Company in 1740 Broadway Associates to be in accordance with a Partner Interest Contribution Agreement to be entered into between 1740 Broadway Investment Company and Vornado 1740 Sub, which Partner Interest Contribution Agreement shall be in substantially the same form as the Partner Interest Contribution Agreement attached hereto as Exhibit F-8 and (B) $43,340 which represents its shares of cash reserves in 1740 Broadway Associates;

(iv) deliver to Mendik 1740 Corp (A) $49,442, in consideration for the interests of Mendik 1740 Corp in 1740 Broadway Associates with the closing of the sale of the interests of Mendik 1740 Corp in 1740 Broadway Associates to be in accordance with a Partner Interest Contribution Agreement to be entered into between Mendik 1740 Corp and Vornado 1740

Sub, which Partner Interest Contribution Agreement shall be in substantially the same form as the Partner Interest Contribution Agreement attached hereto as Exhibit F-8 and (B) $660, which represents its share of cash reserves of 1740 Broadway Associates; and

(v) make a non-recourse loan to Mendik/FW LLC in the amount of $14,775,000 (the "B&B LOAN"), which loan shall be used by Mendik/FW LLC to close the acquisition of the Major Partner's interest in B&B and return to Mendik/FW LLC the downpayment in the amount of $1,325,000.

The amount to be funded by Vornado or Vornado 1740 Sub pursuant to clause (v) above shall be (A) on the same terms as the Bridge Loan (as defined below) except with respect to the amount of the loan and the security therefor, (B) secured by a perfected first security interest in the interests of B&B in Two Park Company and (C) cross-defaulted with the obligations of Mendik/FW Purchaser under Section 5.12(b)(ii); provided, however, in the event the option described in clause (b)(v) below is exercised, and Vornado 1740 Sub has made the Bridge Loan, then the B&B Loan would also be secured by, and cross-collateralized with, the 1740 Broadway Mortgage and the 1740 Broadway Mortgage would be increased by an amount equal to the amount of the B&B Loan.

(vi) notwithstanding anything to the contrary contained herein, Vornado or Vornado 1740 Sub shall pay $94.5 million at the closing, which shall include a reserve of approximately $1 million working capital and other requirements, and shall not be obligated to pay any amount in excess of $94.5 million with respect to the items described in (a) above.

(b) In the event Vornado 1740 Sub shall purchase the interests and fund the B&B Loan as described in clauses (a)(i) through (a)(v) above, then during the period (the "INTERIM PERIOD"), from the date of such funding until the earliest of (A) the Closing Date, (B) the date upon which a closing under the Option Agreement (as defined below) shall occur and (C) the termination or expiration of the Option Agreement:

(i) Vornado 1740 Sub shall keep in existence 1740 Broadway Associates and, after payment of expenses of operation and ownership of 1740 Broadway, shall be permitted to make no distributions of cash flow from the 1740 Broadway or cash reserves held by 1740 Broadway Associates, except Vornado 1740 Sub shall be permitted to make "Permitted Distributions." "PERMITTED DISTRIBUTIONS" shall be equal to the sum of "B & B Shortfalls" and 1740 Specified Payments. As used herein, "B & B SHORTFALLS" shall mean accrued and unpaid interest under the B & B Loan during the Interim Period, and "1740 SPECIFIED PAYMENTS" shall mean interest charges that would have been payable on the Bridge Loan during the Interim Period had the Bridge Loan been made.

(ii) In the event that any funds shall be required for Permitted Distributions, then any such amounts shall be funded by Mendik/FW Purchaser within twenty (20) days after notice from Vornado 1740 Sub.

(iii) Mendik Realty shall continue to provide management services pursuant to the terms of the existing Management Agreement with respect to 1740 Broadway.

(iv) Mendik/FW LLC or its designee ("MENDIK/FW PURCHASER") shall make all decisions with respect to the ownership and operation of 1740 Broadway, provided however that Vornado 1740 Sub shall have certain rights of approval to be mutually agreed upon.

(v) Mendik/FW Purchaser shall have the option to purchase the interests in 1740 Broadway Associates then owned by Vornado 1740 Sub (the "OPTION") for $79,725,000 (the "OPTION PRICE"). The Option shall be pursuant to a mutually acceptable written Option Agreement, in recordable form (the "OPTION AGREEMENT"), to be entered into on the Outside Date and containing the following terms:

(1) the Option must be exercised in writing within ten (10) days after the termination of this Agreement (and shall be deemed exercised upon the termination of this Agreement, unless otherwise waived by Vornado), but the Option shall be null and void if the Closing Date shall occur;

(2) provided the Option is exercised pursuant to (1) above, the closing under the Option Agreement shall take place within five (5) Business Days after exercise (the "OPTION CLOSING DATE");

(3) Vornado 1740 Sub shall convey such title to the direct and indirect interests in 1740 Broadway Associates as it received from the Major Partner, 1740 Broadway Investment Company and Mendik 1740 Corp;

(4) Mendik/FW Purchaser shall pay all Transfer Taxes in connection with the closing of the Option;

(5) on the Option Closing Date, Mendik/FW Purchaser shall pay to Vornado 1740 Sub the Option Price;

(6) the failure by Mendik/FW Purchaser to pay any amounts required pursuant to (b)(ii) above within twenty (20) days after written notice from Vornado 1740 Sub shall result in the irrevocable termination under the Option Agreement, provided such failure shall not constitute an irrevocable termination unless Vornado 1740 Sub delivers a second written notice of such failure and Mendik/FW Purchaser fails to pay such amounts within ten (10) days of such second notice; and

(7) the B&B Loan shall be repaid upon the closing of the Option (unless Vornado 1740 Sub shall make the Bridge Loan pursuant to clause (c) below).

(c) In the event this Agreement is terminated prior to the Outside Date other than pursuant to Paragraphs 8.1(b), 8.1(d) or 8.1(i) hereof, or the Agreement is terminated after the Outside Date and the Option is exercised or deemed exercised, Vornado shall provide, at the

request of Mendik/FW Purchaser, non-recourse financing to Mendik/FW Purchaser (the "BRIDGE LOAN") in an amount equal to $79,725,000. In the event this Agreement is terminated, other than pursuant to Paragraphs 8.1(b), 8.1(d) or 8.1(i) hereof, Vornado shall or shall cause Vornado 1740 Sub to make the B & B Loan unless the B&B Loan was previously made. The Bridge Loan, if any, (A) shall bear interest, adjusted monthly, at a rate equal to the sum of the 30-day LIBOR rate plus 200 basis points, (B) shall mature on the earlier of the first anniversary of the date of the Bridge Loan and the Outside Date (the "BRIDGE LOAN MATURITY DATE") (provided, however, that the Bridge Loan Maturity Date shall be accelerated to the date that (x) a Competing Transaction is consummated by the Mendik Group or (y) an initial public offering is consummated by the Initial General Partner or an Affiliate thereof) and (C) shall be secured by a recorded first mortgage in the full amount of the Bridge Loan (the "1740 BROADWAY MORTGAGE") on the 1740 Broadway property (as increased by an amount equal to the B&B Loan), and, as a condition to the making of the Bridge Loan, Mendik/FW LLC shall pay the mortgage recording tax therefor. The Bridge Loan and the B&B Loan shall, from and after the Bridge Loan Maturity Date, bear interest at a rate equal to the sum of the 30-day LIBOR rate plus 500 basis points. A fee equal to 1% of the principal amount on the Bridge Loan (including the B&B Loan) shall be due and payable by Mendik/FW Purchaser to Vornado 1740 Sub unless the Bridge Loan and the B&B Loan are repaid prior to the first anniversary of the earlier of the maturity of the Outside Date or the making of the Bridge Loan. Vornado shall have no obligation to fund the Bridge Loan if there is a default by Mendik/FW Purchaser pursuant to Section 5.12(b)(ii).

(d) The Bridge Loan documents shall provide that all rents and other income from 1740 Broadway (other than from casualty and similar capital events) will be deposited by tenants (and any other Persons regularly making payments to 1740 Broadway Associates) directly into a lockbox account maintained in the name of the lender in a depository institution selected by the lender. Concurrently with the funding of the Bridge Loan, Mendik/FW Purchaser shall notify each tenant and other such person to make its rent and other payments accordingly. The funds in the lockbox will be disbursed on the lender's authorization on behalf of Mendik/FW Purchaser against third-party invoices submitted by Mendik/FW Purchaser to the lender on a monthly basis, together with Mendik/FW Purchaser's certificate that the invoiced amounts are due and payable, or were due and payable and have been paid by Mendik/FW Purchaser, and in either event that the same have not been the subject of a previous request for disbursement, and such other information or detail as the lender may reasonably request. Any funds remaining in the lockbox after the payment of (A) amounts required to fund real-estate-tax and insurance-premium escrow accounts (which Mendik/FW Purchaser will establish at closing and maintain in the name of lender), (B) monthly scheduled interest, (C) budgeted and approved operating expenses and (D) budgeted and approved capital expenditures, shall be retained in the lockbox to be available for future draws as permitted hereby. Mendik/FW Purchaser shall pay the costs of arranging and maintaining the lockbox. Prior to the funding of the Bridge Loan, Mendik/FW Purchaser will submit, for the lender's approval (not to be unreasonably withheld), an operating and capital budget for the ensuing twelve (12) months, and once approved, such budget shall be complied with, subject to a five percent (5%) variance on expenses (such variance shall be applied on a line-item basis, except for (x) immaterial items which may be aggregated for such variance, (y) variances in certain non-discretionary expenses such as real estate taxes and (z) emergencies, but only to the extent necessary to prevent personal injury, or imminent material damage to property or potential criminal

liability; provided, however, that, in the event of a variance described in clause (z), Mendik/FW Purchaser shall notify the lender of such variance as soon as possible). Mendik/FW Purchaser will have the right to submit proposed modifications to the approved budget, which modifications shall be subject to lender's approval, not to be unreasonably withheld. Unless otherwise elected by Vornado, a subsidiary of Vornado will act as the lender.

(e) In the event this Agreement is terminated, Mendik/FW LLC shall fund its own costs and expenses and those of Vornado and Vornado 1740 Sub in connection with (i) the closing of the 1740 Major Partner Agreement, (ii) the negotiation and closing of the B&B Loan, and (iii) the preparation and closing of the Bridge Loan, and each party shall fund its own costs and expenses in connection with the preparation of the Option Agreement and the conveyance of 1740 Broadway pursuant to the Option Agreement (other than Transfer Taxes payable in connection therewith, which shall be borne by Mendik/FW LLC). In the event the Closing occurs, all of the expenses described above, shall be funded by the Operating Partnership (or the Operating Partnership shall reimburse the appropriate party for such expenses funded by it prior thereto).

(f) As a condition to the obligations of Vornado and Vornado 1740 Sub under Section 5.12(a) and (b), Mendik/FW LLC shall cause to be delivered to Vornado an opinion of Proskauer Rose Goetz & Mendelsohn LLP in form and substance satisfactory to Vornado to the effect that either (i) under the terms of Section 5.12(a) and (b), Vornado 1740 Sub will be regarded as the owner of 100% of the ownership interests in 1740 Broadway Associates and, subject to the customary exceptions to enforceability, Section 5.12 is otherwise enforceable against Mendik/FW LLC in accordance with its terms or (ii) under the terms of Section 5.12(a) and (b), Vornado 1740 Sub will have the rights of a perfected secured lender in respect of 100% of the ownership interests in 1740 Broadway Associates and, subject to the customary exceptions to enforceability, Section 5.12(a) and (b) is otherwise enforceable in accordance with its terms. Further, as a condition to the obligations of Vornado and its affiliates to make the Bridge Loan under Section 5.12(c) and (d), Vornado shall have received legal advice satisfactory to it from Sullivan & Cromwell that the Bridge Loan should not be subject to fraudulent conveyance or preference claims or defenses.

SECTION 5.13 Financing Transactions.

(a) The Operating Partnership and the Mendik Group shall, and the Mendik Group shall cause the Property Partnerships and the Property-Owning Entities to, use their commercially reasonable efforts to complete the proposed financing transactions with respect to certain of the Mendik Properties substantially on the terms set forth in the respective documents listed in SCHEDULE 5.13 to the Mendik Disclosure Letter (except that, at Vornado's option but subject to the approval of the lender, the proposed loan secured by Two Penn Plaza may have a floating interest rate for the first twelve (12) months of its term), which documents have previously been provided to Vornado with respect to Two Penn Plaza, Eleven Penn Plaza, 866 United Nations Plaza and Two Park Avenue (collectively, the "FINANCING TRANSACTIONS").

(b) In the event the Operating Partnership and the Mendik Group are unable, despite their commercially reasonable efforts, to complete the Financing Transactions as

contemplated, then the Operating Partnership and each member of the Mendik Group shall use its commercially reasonable efforts (taking into account the time available to obtain any replacement financings) to obtain replacement financings for the above properties on terms then available (even if such terms are less favorable than the financings described in the documents listed in SCHEDULE 5.13 to the Mendik Disclosure Letter); provided, however, that Vornado shall have the right to approve or disapprove any replacement financing proposals, which approval or disapproval must be given within twenty-four (24) hours of the receipt of notice of any such proposals (and Vornado shall be deemed to have approved any such proposals if Vornado shall fail to respond to any such notice within such twenty-four-hour period); provided further, however, in the event the Operating Partnership and the Mendik Group obtain such replacement financing proposals then the condition set forth in Section 6.1(c) shall be deemed to be satisfied with respect to the Financing Transactions to which such replacement financing proposals relate regardless of whether Vornado disapproves any such replacement financing proposals; and provided, finally, in the event Vornado disapproves any such replacement financing proposals, then Vornado shall be obligated to obtain replacement financings with respect to such Financing Transactions, which replacement financings must comply with the restrictions on the refinancing of certain of the Mendik Properties as set forth in the Operating Partnership Agreement.

(c) Notwithstanding anything contained herein to the contrary, prior to or after the consummation of the Financing Transactions, Vornado or the Operating Partnership shall have the right to negotiate and obtain replacement financings; provided, however, that any such replacement financings must comply with the restrictions on the refinancing of certain of the Mendik Properties as set forth in the Operating Partnership Agreement; provided further, however, that, except as set forth in Section 5.13(b), in no event may Vornado or the Operating Partnership negotiate or obtain replacement financing for the Financing Transaction with respect to the Eleven Penn Plaza property prior to the closing of such Financing Transaction.

SECTION 5.14 Closing Documents.

(a) At the Closing, each of the parties hereto, as appropriate, shall duly execute and deliver the following agreements and other documents to which it is a party:

(i) each of the Contribution Agreements and Assignment and Assumption Agreements identified in Sections 1.1 and 1.2;

(ii) each of the Partner Interest Contribution Agreements and Assignment and Assumption Agreements identified in Section 2.1;

(iii) the Operating Partnership Agreement;

(iv) the Registration Rights Agreement;

(v) the Unit Redemption Agreement;

(vi) the employment agreements and option agreements identified in Section 5.9;

(vii) the Master Property Services Agreement (Wholly-Owned Properties) and all related agreements contemplated thereby;

(viii) the Master Property Services Agreement (Partially-Owned Properties);

(ix) the Management Corporation Voting Agreement;

(x) the Vornado Voting Agreement;

(xi) a License Agreement substantially in the form of EXHIBIT Q (the "MENDIK LICENSE AGREEMENT");

(xii) the Indemnification Agreement referred to in Section 9.1;

(xiii) one or more agreements among the Operating Partnership and Mr. Mendik and Mr. Greenbaum and certain of their Affiliates relating to certain options and rights of first refusal to be held by the Operating Partnership with respect to certain real property interests owned, directly or indirectly, by Mr. Mendik and Mr. Greenbaum and not being contributed to the Operating Partnership in the Consolidation and identified in EXHIBIT U-1, each substantially in the form of EXHIBIT U-2 with respect to options, and, with respect to rights of first refusal, in the form and substance reasonably acceptable to Vornado; and

(xiv) the M 330 Amendment.

(b) Prior to or simultaneously with the Closing, each of the parties hereto, as appropriate, shall use their commercially reasonable efforts to consummate the transactions described in this Agreement (but the foregoing shall not be construed as impairing the rights of any party hereunder to require the conditions to such party's obligations hereunder to be satisfied).

SECTION 5.15 Cleaning Business Transactions. Prior to the Closing Date, the Mendik Group and Vornado shall cause the transactions described in SCHEDULE 5.15 to the Mendik Disclosure Letter to be consummated.

SECTION 5.16 Reservation of Vornado Common Shares. At or prior to the Closing Date, Vornado shall cause to be reserved a sufficient number of Vornado Common Shares to satisfy its obligation to redeem Units held by Unitholders (if Vornado were to elect to issue Common Shares upon such redemption) pursuant to the terms of the Operating Partnership Agreement; provided that, the number of Vornado Common Shares so reserved shall be subject to reduction as Units are redeemed (in exchange for either Vornado Common Shares or cash) over time.

SECTION 5.17 Amendment of Major Partner Agreements. Prior to the Closing Date, Mendik/FW LLC shall cause the Major Partner Agreements to be amended to allow for the consummation of the Transactions as contemplated by this Agreement, which amendments shall be in form and substance reasonably satisfactory to Vornado.

SECTION 5.18 Reimbursement of Loans Made by Mendik Realty With Respect to 570 Lexington Avenue. On or prior to the Closing Date, Vornado shall pay to Mendik Realty an amount equal to the amount loaned by Mendik Realty to Mendik 570 Corp, 570 Lexington Investors or the Partners in 570 Lexington Associates or 570 Lexington Investors after October 1, 1996 and prior to the Closing Date in respect of the obligations of either of such entities or any of such Partners to make capital contributions to 570 Lexington Associates or 570 Lexington Investors, as applicable.

SECTION 5.19 Delivery of Audited Financial Statements.

(a) On or prior to March 14, 1997, Mendik/FW LLC shall deliver to Vornado audited financial statements for each of Two Penn Plaza Associates, Eleven Penn Plaza Company, M 393 Associates, M Eleven Associates, 1740 Broadway Associates and 866 U.N. Plaza Associates.

(b) On or prior to March 18, 1997, Mendik/FW LLC shall deliver to Vornado audited financial statements for each of Two Park Company, B&B, 330 Madison Company, M 330 Associates, 570 Lexington Company, 570 Lexington Associates and 570 Lexington Investors.

ARTICLE VI

CONDITIONS PRECEDENT

SECTION 6.1 Conditions to Each Party's Obligation to Effect the Consolidation. The respective obligation of each party to effect the Consolidation and to consummate the other Transactions contemplated to occur at the Closing is subject to the satisfaction or waiver on or prior to the Effective Time of the following conditions:

(a) No Injunctions or Restraints. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Consolidation or any of the other Transactions shall be in effect.

(b) Consents. All Partner Consents shall have been obtained, and all consents of certain third parties listed in SCHEDULE 6.1(B) to the Mendik Disclosure Letter shall have been obtained, which consents shall be in form and substance reasonably satisfactory to Vornado and the Operating Partnership.

(c) Financing Transactions. Each of the Financing Transactions shall have been funded and otherwise consummated (or replacement loans shall have been funded and otherwise consummated on then current market terms, even if such terms are less favorable than the terms described in the documents listed in SCHEDULE 5.13 to the Mendik Disclosure Letter).

(d) Closing Documents. The agreements and other documents required to be duly executed and delivered by the parties thereto pursuant to Section 5.14 shall have been so executed and delivered and shall remain in full force and effect.

(e) Bring-downs of Tax Certificates and Opinions. On the date hereof, Vornado and Mendik/FW LLC have received legal opinions from Sullivan & Cromwell and Roberts & Holland LLP as to certain tax matters based upon, among other things, the related factual certificates of certain Persons. At the Closing, Vornado and Mendik/FW LLC shall have received legal opinions from each such firm in form satisfactory to Vornado and Mendik/FW LLC, dated the Closing Date, as to certain tax matters and based upon, in part, factual certificates provided by Mr. Mendik or Mr. Greenbaum, solely in his capacity as an employee of Vornado and not in his individual capacity, dated the Closing Date, which factual certificates shall be substantially in the form of EXHIBIT V.

(f) FWM Purchase Agreement. The Closing under the FWM Purchase Agreement shall occur simultaneously with the Closing of this Agreement.

SECTION 6.2 Conditions to Obligations of Vornado and Vornado Sub. The obligation of Vornado and Vornado Sub to effect the Consolidation and to consummate the other Transactions contemplated to occur on the Closing Date is further subject to the following conditions, any one or more of which may be waived by Vornado and Vornado Sub:

(a) Representations and Warranties. The representations and warranties of Mendik/FW LLC set forth in this Agreement shall have been true and correct as of the date of this Agreement (and shall not be required to be true or correct as of any subsequent date, except as expressly set forth in this Agreement). Vornado, Vornado Sub and the Operating Partnership shall have received a certificate (which certificate may be qualified by Knowledge to the same extent as such representations and warranties are so qualified) signed on behalf of Mendik/FW LLC to such effect. The condition set forth in the first sentence of this Section 6.2(a) shall be deemed satisfied unless any or all breaches of Mendik/FW LLC's representations and warranties in this Agreement (without giving effect to any materiality qualification or limitation) is reasonably expected to have a Mendik Material Adverse Effect and such breaches occurred with the Knowledge of Mendik/FW LLC.

(b) Performance of Obligations of the Mendik Group. The Mendik Group and the Operating Partnership shall have performed in all material respects all obligations required to be performed by them under this Agreement at or prior to the Effective Time, and Vornado, Vornado Sub and the Operating Partnership shall have received a certificate signed on behalf of the Mendik Group and the Operating Partnership to such effect.

(c) Bring-downs of Other Opinions. On the date hereof, Vornado and Vornado Sub have received legal opinions from Hogan & Hartson L.L.P. and Proskauer, Rose, Goetz & Mendelsohn LLP as to certain legal matters. At the Closing, Vornado and Vornado Sub shall have received legal opinions from each such firm, dated the Closing Date, to the effect that they reaffirm as of the Closing Date their opinions delivered on the date hereof and that all agreements to be executed by the Operating Partnership or any member of the Mendik Group at the Closing (other than Mr. Mendik and Mr. Greenbaum) shall be duly authorized, executed and delivered by such party.

(d) Partner Authority. The Operating Partnership shall have received legal opinions, in form and substance reasonably satisfactory to Vornado and the Operating Partnership, to the effect that the Partner Consent executed by each Partner which is a corporation, a limited liability company or a general or limited partnership is duly authorized, executed and delivered in accordance with the applicable organizational documents of each of such entities.

SECTION 6.3 Conditions to Obligations of the Mendik Group and the Operating Partnership. The obligation of the Mendik Group and the Operating Partnership to effect the Consolidation and to consummate the other Transactions contemplated to occur on the Closing Date is further subject to the following conditions, any one or more of which may be waived by the Mendik Group and the Operating Partnership:

(a) Representations and Warranties. The representations and warranties of Vornado and Vornado Sub set forth in this Agreement shall be true and correct as of the date of this Agreement (and shall not be required to be true or correct as of any subsequent date), and the Mendik Group and the Operating Partnership shall have received a certificate (which certificate may be qualified by Knowledge to the same extent as such representations and warranties are so qualified) signed on behalf of Vornado and Vornado Sub to such effect. The condition set forth

in this Section 6.3(a) shall be deemed satisfied unless any or all breaches of Vornado's and Vornado Sub's representations and warranties in this Agreement (without giving effect to any materiality qualification or limitation) is reasonably expected to have a Vornado Material Adverse Effect and such breaches occurred with the Knowledge of Vornado or Vornado Sub.

(b) Performance of Obligations of Vornado and Vornado Sub. Vornado and Vornado Sub shall have performed in all material respects all obligations required to be performed by them under this Agreement at or prior to the Effective Time, and the Mendik Group and the Operating Partnership shall have received a certificate signed on behalf Vornado and Vornado Sub to such effect.

(c) Bring-down of Other Opinions. On the date hereof, the Mendik Group and the Operating Partnership have received legal opinions from Sullivan & Cromwell and Ballard Spahr Andrews & Ingersoll as to certain legal matters. At the Closing, the Mendik Group and the Operating Partnership shall have received legal opinions from each such firm, dated the Closing Date, to the effect that they reaffirm as of the Closing Date their opinions delivered on the date hereof and that all agreements to be executed by Vornado or Vornado Sub at the Closing shall be duly authorized, executed and delivered by such party.

(d) Vornado Board Representation. At or prior to the Closing, the size of the Board of Trustees of Vornado shall have been increased from seven members to eight members and Mr. Mendik shall have been elected, effective as of the Closing Date, a member of Vornado's Board of Trustees for an initial term expiring at the next annual meeting of Vornado shareholders.

SECTION 6.4. Absence of Material Adverse Change is Not a Condition to Each Party's Obligation to Effect the Consolidation. Except as expressly set forth in Sections 6.1, 6.2 and 6.3, the respective obligation of each party to effect the Consolidation and to consummate the other Transactions contemplated to occur at the Closing shall not be affected by any acts, events or circumstances occurring after the date hereof that, individually or in the aggregate, have resulted or reasonably would be expected to result in a Vornado Material Adverse Change or a Mendik Material Adverse Change (including, without limitation, the death of Mr. Mendik and/or Mr. Greenbaum, the occurrence of a default by any tenant at a Mendik Property or Vornado Property, casualty or condemnation with respect to any Mendik Property or Vornado Property, or an act of war or civil disturbance or other force majeure).

ARTICLE VII

ACTIONS OF THE MENDIK GROUP

Notwithstanding Section 5.6 or any other provision of this Agreement to the contrary, any member of the Mendik Group or the entire Mendik Group may, if required by the fiduciary obligations of any member of the Mendik Group, as determined in good faith by such member of the Mendik Group upon advice of outside legal counsel:

(a) to the extent applicable, comply with Rule 14e-2(a) promulgated under the Exchange Act with respect to a Competing Transaction;

(b) consider any Competing Transaction, provided that such Competing Transaction was not, directly or indirectly, invited, solicited, encouraged or initiated in any manner after February 13, 1997 by any member of the Mendik Group or any members, partners, directors, officers, employees, agents or others under its control;

(c) subject to Section 5.2(b), provide information in response to a request therefor by a Person who has proposed an unsolicited Competing Transaction;

(d) engage in negotiations or discussions with any Person who has proposed an unsolicited Competing Transaction if a member of the Mendik Group determines in good faith and upon advice of outside legal counsel that such action is necessary in order for the Mendik Group or any member thereof to comply with its fiduciary duties and, with respect to providing information, the Mendik Group receives from such Person so requesting such information an executed confidentiality agreement on terms substantially similar to those contained in Section 5.2;

(e) disclose to the M/S Limited Partners or Partners in any Property Partnership and other Persons to whom Units would be issued at the Closing hereunder any information that, in the opinion of the Mendik Group or any member thereof upon advice of outside legal counsel, is required to be disclosed under applicable law or as a result of any fiduciary duty; provided that, the Mendik Group receives from the M/S Limited Partners or such Partner or other Person an executed confidentiality agreement on terms substantially similar to those contained in Section 5.2; and

(f) approve or recommend (and in connection therewith withdraw or modify its approval or recommendation of this Agreement or the Consolidation) a Superior Competing Transaction (as defined below) and/or enter into an agreement with respect to such Superior Competing Transaction. For purposes of this Agreement, "SUPERIOR COMPETING TRANSACTION" means a proposal of a Competing Transaction which has not, directly or indirectly, been invited, solicited, encouraged or initiated after February 13, 1997 in any manner by any member of the Mendik Group or any members, partners, directors, officers, employees, agents or others under its control and which the Mendik Group or any member thereof determines in good faith (after consultation with Merrill) (i) to be more favorable than the Consolidation to the Partners and

other Persons to whom Units would be issued at the Closing hereunder (or, if the proposed Competing Transaction involves fewer than all of the Mendik Core Assets, to the Partners and other Persons to whom Units would be issued at the Closing hereunder with respect to such assets), considered as a group, and (ii) is reasonably capable of being consummated.

ARTICLE VIII

TERMINATION, AMENDMENT AND WAIVER

SECTION 8.1 Termination. At any time prior to the Closing, this Agreement (i) shall terminate in the event the FWM Purchase Agreement is terminated in accordance with its terms or (ii) may be terminated by:

(a) the mutual written consent duly authorized by the parties hereto;

(b) Vornado (if neither it nor Vornado Sub is in breach of any of its material obligations hereunder), if there has been a knowing misrepresentation or a knowing breach of any representation or warranty as of the date hereof (or, with respect to those representations which are expressly by the terms of this Agreement to be true and to be made as of the Effective Time, as of the Closing Date) on the part of the Mendik Group set forth in this Agreement such that the condition set forth in Section 6.2(a) would not be satisfied;

(c) the Mendik Group (if it is not in breach of any of its material obligations hereunder), if there has been a knowing misrepresentation or a knowing breach of any representation or warranty as of the date hereof on the part of Vornado or Vornado Sub set forth in this Agreement such that the condition set forth in Section 6.3(a) would not be satisfied;

(d) Vornado (if neither it nor Vornado Sub is in breach of any of its material obligations hereunder), upon a breach of any material covenant or agreement on the part of the Mendik Group set forth in this Agreement such that the condition set forth in Section 6.2(b) is or would be incapable of being satisfied by June 30, 1997;

(e) the Mendik Group (if it is not in breach of any of its material obligations hereunder), upon a breach of any material covenant or agreement on the part of Vornado or Vornado Sub set forth in this Agreement such that the condition set forth in Section 6.3(b) is or would be incapable of being satisfied by June 30, 1997;

(f) either Vornado or the Mendik Group, if any judgment, injunction, order, decree or action by any Governmental Entity of competent authority preventing the consummation of the Consolidation shall have become final and nonappealable;

(g) either Vornado or the Mendik Group, if the Consolidation shall not have been consummated before June 30, 1997 (other than solely as a result of a failure to obtain the requisite Partner Consents); provided, however, that a party that has willfully and materially breached a covenant or agreement of such party set forth in this Agreement shall not be entitled to exercise its right to terminate under this Section 8.1(g);

(h) either Vornado or the Mendik Group, if all Partner Consents have not been obtained by June 30, 1997 (or as otherwise extended); and

(i) either Vornado or (provided the Mendik Group shall have complied with Article VII) the Mendik Group, if prior to the end of the Partner Consent Period, (A) the Mendik Group shall have withdrawn or modified in any manner adverse to Vornado its approval or recommendation to the Partners of the Consolidation or this Agreement in connection with, or approved or recommended, a Superior Competing Transaction or (B) one or more members of the Mendik Group shall have entered into a definitive agreement with respect to any Competing Transaction.

SECTION 8.2 Certain Expenses and Fees.

(a) Expenses. In the event that the Consolidation is consummated, the Operating Partnership shall pay all reasonable legal, accounting, financial advisory and other transaction costs, including out of pocket expenses, travel and entertainment costs incurred by the Mendik Group or Vornado in connection with the transfers of assets to the Operating Partnership (whether by contribution, merger or otherwise) and other formation transactions with respect to the Operating Partnership (including costs previously or subsequently incurred with respect to the Operating Partnership's roll-up transactions and proposed initial public offering and all Transfer Taxes to the extent required by Section 5.8, provided that costs incurred prior to January 31, 1997 will be paid subject to the limitations of the second sentence of Section 4(c)(ii) of the FWM Purchase Agreement). In the event that the Consolidation is not consummated, Vornado shall bear all of the costs incurred by it in connection with the Consolidation and, unless this Agreement has been terminated pursuant to Section 8.1(b) or 8.1(d), fifty percent (50%) of all reasonable legal and accounting costs incurred by the Mendik Group (the "MENDIK EXPENSES") in connection with this Agreement and the Consolidation (including, without limitation, negotiating, documenting and implementing the Consolidation and all due diligence expenses, but not including any such costs related to the Initial General Partner's proposed initial public offering) or the acquisition of the interests of the M/S Limited Partners in the Eleven Penn Partnerships.

(b) Break-up Fees and Expenses. The Mendik Group agrees that if this Agreement shall be terminated (1) pursuant to Section 8.1(i) and prior to such termination or within one (1) year thereafter one or more members of the Mendik Group or any of its Affiliates executes a definitive agreement with respect to a Competing Transaction which is subsequently consummated (whether within or after one (1) year after the termination) or (2) pursuant to Section 8.1(b), (d), (g) or (h) and within one (1) year thereafter one or more members of the Mendik Group or any of its Affiliates executes a definitive agreement with respect to a Competing Transaction which is subsequently consummated (whether within or after one (1) year after the termination) with a third party (or group acting together) with whom such members of the Mendik Group or any of its Affiliates had substantive discussions regarding a Competing Transaction after February 13, 1997 and prior to any such termination, then Mendik/FW LLC shall pay (provided that neither Vornado nor Vornado Sub was in breach of any of its material obligations hereunder at the time of termination), as directed by Vornado, a fee in an amount equal to the Break-Up Fee (as defined below); provided, however, the Mendik Group shall have no obligation to pay a Break-Up Fee or any Break-Up Expenses (as defined below) if the Mendik Group consummates an initial public offering other than as described in clause (B) below or the

Mendik Group consummates a transaction involving any of the Mendik Properties or interests therein (or all or any part of the assets of the Existing Mendik Management Entities) that is not a Competing Transaction. The Mendik Group agrees that if this Agreement shall be terminated (1) pursuant to Section 8.1(i) or (2) pursuant to Section 8.1(b), (d) or (g) and within one (1) year thereafter one or more members of the Mendik Group or any of its Affiliates (A) executes a definitive agreement with respect to a Competing Transaction which is subsequently consummated (whether within or after one (1) year after the termination) with a third party (or group acting together) with whom no such members of the Mendik Group or any of its Affiliates had substantive discussions regarding a Competing Transaction after February 13, 1997 and prior to any such termination or (B) consummates an initial public offering involving properties containing more than one million square feet of office space (but excluding properties in which any member of the Mendik Group or any of its Affiliates, directly or indirectly, has an interest or a relationship (such as a management or leasing contract)) in addition to the Mendik Core Assets, then Mendik/FW LLC shall pay (provided that neither Vornado nor Vornado Sub was in breach of any of its material obligations hereunder at the time of such termination), as directed by Vornado, a fee in an amount equal to the Break-Up Expenses; provided, however, the Mendik Group shall have no obligation to pay a Break-Up Fee or any Break-Up Expenses if the Mendik Group consummates an initial public offering other than as described in clause (B) above or the Mendik Group or any of its Affiliates consummates a transaction involving any of the Mendik Properties or interests therein (or all or any part of the assets of the Existing Mendik Management Entities) that is not a Competing Transaction. Payment of any of the Break-Up Fee or Break-Up Expenses shall be made, as directed by Vornado, by wire transfer of immediately available funds promptly, but in no event later than fifteen (15) days after the date the event giving rise to the obligation to make such payment occurred. In furtherance of its obligations hereunder, Mendik/FW LLC hereby agrees not to distribute to its beneficial owners any amounts which, in the aggregate, would have a material adverse effect on the ability of Mendik/FW LLC to meet its obligations hereunder. The "BREAK-UP FEE" shall be an amount equal to $15,000,000. The Break-Up Fee shall be reduced by any amounts previously paid in respect of Break-Up Expenses (other than any Mendik Expenses included therein). The "BREAK-UP EXPENSES" shall be an amount equal to the reasonable legal and accounting expenses incurred by Vornado in connection with this Agreement and the Consolidation (including, without limitation, negotiating, documenting and implementing the Consolidation and all due diligence expenses.

SECTION 8.3 Effect of Termination. In the event of termination of this Agreement by either the Mendik Group or Vornado as provided in Section 8.1, this Agreement shall forthwith become void and have no effect, without any liability or obligation on the part of Vornado or the Mendik Group, other than Section 5.2, Section 5.12, Section 8.2, this Section 8.3 and Section 10.1 and any other provision hereof which by its terms contemplates survival beyond the termination hereof, except that no such provision may be enforced by a party hereto to the extent that such termination results from a material breach by such party of any of its representations, warranties, covenants or agreements set forth in this Agreement.

SECTION 8.4 Amendment. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by the party against whom enforcement of such modification or amendment is sought.

SECTION 8.5 Extension; Waiver. At any time prior to the Effective Time, the parties may (a) extend the time for the performance of any of the obligations or other acts of the other party, (b) waive any inaccuracies in the representations and warranties of the other party contained in this Agreement or in any document delivered pursuant to this Agreement or (c) waive compliance with any of the agreements or conditions of the other party contained in this Agreement. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights.

ARTICLE IX

INDEMNIFICATION; INSURANCE

SECTION 9.1 Indemnification. At Closing, Vornado, the Operating Partnership, Mendik/FW LLC and certain other Persons shall enter into an Indemnification Agreement substantially in the form of EXHIBIT R (the "INDEMNIFICATION AGREEMENT").

SECTION 9.2 General Partner Liability Insurance. In addition to and not in lieu of any other obligations it may have pursuant to this Article IX, the Mendik Group shall use all commercially reasonable efforts to obtain general partner's liability insurance ("GPL INSURANCE") to provide coverage for Vornado, the Operating Partnership, the Managing General Partners, the Initial General Partner and certain other Persons with respect to any actions taken by or on behalf of the Operating Partnership, a Property Partnership or a Property-Owning Entity in the Consolidation. Without limiting the foregoing, the Mendik Group shall use all commercially reasonable efforts to obtain such GPL Insurance on terms, other than price, substantially similar to the terms provided under a GPL Insurance policy issued by American International Specialty Lines Insurance Company to certain members of the Mendik Group and certain of their Affiliates with respect to the solicitation of consents undertaken by the Operating Partnership and the Initial General Partner beginning on or about November 11, 1996. The costs of such GPL Insurance shall be borne by the Operating Partnership.

ARTICLE X

GENERAL PROVISIONS

SECTION 10.1 Survival of Representations and Warranties. None of the representations or warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time, except that the representations and warranties set forth in Section 3.3, and only such representations and warranties, shall survive following the Effective Time and shall continue to have effect until March 31, 1998, and shall have no effect following such date, subject to and in accordance with the Indemnification Agreement. Notwithstanding anything contained in this Agreement to the contrary, following the Effective Time, in no event shall any party hereto have any liability with respect to any and all failures to perform any of the obligations required to be performed by such party prior to the Closing under Article IV or Sections 5.1, 5.3, 5.4, 5.5, 5.6 and 5.13, all of which failures to perform being deemed waived upon the Effective Time.

SECTION 10.2 Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed given if delivered personally, sent by overnight courier (providing proof of delivery) to the parties or sent by telecopy (providing confirmation of transmission) at the following addresses or telecopy numbers (or at such other address or telecopy number for a party as shall be specified by like notice):

(a) if to Vornado, to

Vornado Realty Trust
Park 80 West, Plaza II
Saddle Brook, New Jersey 07663
Attention: Michael D. Fascitelli
Telecopy: (201) 291-1093

with a copy to:

Sullivan & Cromwell
125 Broad Street
New York, New York 10004
Attention: Patricia A. Ceruzzi
Telecopy: (212) 558-4771

(b) if to the Operating Partnership or any Person or Entity included in the Mendik Group, to

Mendik Realty Company, Inc.
330 Madison Avenue
New York New York 10017
Attention: David R. Greenbaum
Telecopy: (212) 867-4833

with a copy to:

Hogan & Hartson L.L.P.
555 13th Street, N.W.
Washington, D.C. 20004-1109
Attention: J. Warren Gorrell, Jr.
Telecopy: (202) 637-5910

SECTION 10.3 Certain Definitions. For purposes of this Agreement:

"AFFILIATE" means, with respect to any Person, another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person.

"B&B" means B&B Park Avenue L.P., a Delaware limited partnership.

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

"DGCL" means the General Corporation Law of the State of Delaware.

"866 U.N. PLAZA ASSOCIATES" means 866 U.N. Plaza Associates LLC, a New York limited liability company.

"ELEVEN PENN PARTNERSHIPS" means M/F Associates, M/F Eleven Associates, M/S Associates and M/S Eleven Associates, collectively.

"ELEVEN PENN PLAZA COMPANY" means Eleven Penn Plaza Company, a New York general partnership.

"ERISA" means the Employee's Retirement Income Security Act of 1974, as amended.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"570 LEXINGTON ASSOCIATES" means 570 Lexington Associates, L.P., a New York limited partnership.

"570 LEXINGTON COMPANY" means 570 Lexington Company, L.P., a New York limited partnership.

"570 LEXINGTON INVESTORS" means 570 Lexington Investors, a New York general partnership.

"FWM" means FWM, L.P., a Texas limited partnership.

"KNOWLEDGE" when used herein with respect to the Mendik Group shall mean the actual knowledge of the persons listed on ANNEX C, and, with respect to the matters referred to in Sections 3.2(e)(ii), 3.2(g), 3.2(h), 3.2(i), 3.2(m), 3.3(b), 3.3(c) and 3.3(e), the actual knowledge of such persons after consultation with each person serving as the building manager (or similar official) at each of the Mendik Properties, and when used herein with respect to Vornado or Vornado Sub shall mean the actual knowledge of the persons listed on ANNEX D.

"MANAGEMENT CORPORATION" means a corporation to be formed prior to the Closing Date to acquire substantially all of the Third-Party Management Assets and a one percent (1%) interest in the Management LLC.

"MANAGEMENT LLC" means a limited liability company to be formed prior to the Closing Date to acquire the REIT Management Assets.

"M ELEVEN ASSOCIATES" means M Eleven Associates, a New York general partnership.

"MENDIK DISCLOSURE LETTER" means the letter previously delivered to Vornado by Mendik/FW LLC disclosing certain information in connection with this Agreement.

"MENDIK 1740 CORP" means Mendik 1740 Corp., a New York corporation.

"MENDIK 570 CORP" means Mendik 570 Corp., a New York corporation.

"MENDIK PARTNERSHIP" means The Mendik Partnership, L.P., a Delaware limited partnership.

"MENDIK SUB" means a limited liability company to be formed prior to the Closing Date to acquire interests in certain of the Mendik Properties in the Consolidation.

"M/F ASSOCIATES" means M/F Associates, a New York limited partnership.

"M/F ELEVEN ASSOCIATES" means M/F Eleven Associates, a New York limited partnership.

"MR. FASCITELLI" means Michael D. Fascitelli, individually.

"M/S ASSOCIATES" means M/S Associates, a New York limited partnership.

"M/S ELEVEN ASSOCIATES" means M/S Eleven Associates, a New York limited partnership.

"M/S LIMITED PARTNERS" means the entities which are the limited partners in both M/S Associates and M/S Eleven Associates.

"M 330 ASSOCIATES" means M 330 Associates, a New York limited partnership.

"M 393 ASSOCIATES" means M 393 Associates, a New York general partnership.

"NEW MANAGEMENT ENTITIES" means the Management Corporation and the Management LLC.

"1940 ACT" means the Investment Company Act of 1940, as amended.

"PARTNER" means each partner (other than the Major Partner, the M/S Limited Partners, Quantam 570 Lexington, L.P. and 570 Lexington Investors) in the Property Partnerships.

"PARTNER CONSENT" means the consent of a "Direct Partner" (as identified in Schedule 3.2(c)(1), other than Quantum 570 Lexington, L.P., the Major Partner, the M/S Limited Partners, 1740 Broadway Investment Company (with respect to its interest in 1740 Broadway Associates) and 570 Lexington Investors (with respect to its interest in 570 Lexington Associates)) in a Property Partnership to the Consolidation pursuant to a solicitation of such Partner Consents by means of the Memorandum; provided, however, in the event the transactions described in Section 5.12 are consummated, then the term "Partner Consents" shall not include the consents of any of the "Direct Partners" in 1740 Broadway Associates or 1740 Broadway Investment Company.

"PERSON" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

"PROPERTY-OWNING ENTITY" means each of Two Penn Plaza Associates, Eleven Penn Plaza Company, M Eleven Associates, M 393 Associates, 1740 Broadway Associates, 866 U.N. Plaza Associates, Two Park Company and 330 Madison Company and 570 Lexington Company.

"PROPERTY PARTNERSHIP" means each of Two Penn Plaza Associates, the Eleven Penn Partnerships, 1740 Broadway Associates, 1740 Broadway Investment Company, 866 U.N. Plaza Associates, B&B, M 330 Associates, 570 Lexington Investors and 570 Lexington Associates.

"REIT" means a real estate investment trust described in Sections 856-859 of the Code.

"SEC" means the United States Securities and Exchange Commission.

"SECURITIES ACT" means the Securities Act of 1933, as amended.

"1740 BROADWAY ASSOCIATES" means 1740 Broadway Associates, a Delaware limited partnership.

"1740 BROADWAY CASH INVESTORS" means the Partners in 1740 Broadway Investment Company (other than Mr. Mendik, Mendik 1740 Corp and Mil Equities) with respect to their interests in 1740 Broadway Investment Company.

"1740 BROADWAY INVESTMENT COMPANY" means 1740 Broadway Investment Company, a New York general partnership.

"330 MADISON COMPANY" means 330 Madison Company, a New York general partnership.

"TWO PARK COMPANY" means Two Park Company, a New York general partnership.

"TWO PENN PLAZA ASSOCIATES" means Two Penn Plaza Associates, L.P., a New York limited partnership.

"VORNADO COMMON SHARES" means common shares of beneficial interest, par value $.04 per share, of Vornado.

"VORNADO DISCLOSURE LETTER" means the letter previously delivered to the Operating Partnership and the Mendik Group by Vornado disclosing certain information in connection with this Agreement.

SECTION 10.4 Interpretation. When a reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

SECTION 10.5 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

SECTION 10.6 Entire Agreement; No Third-Party Beneficiaries. This Agreement and the other agreements entered into in connection with the Transactions (i) constitute the entire agreement and supersede all prior oral or written agreements, comments or understandings among the parties with respect to the subject matter of this Agreement and (ii) except for the provisions of Sections 5.9 and Article IX, are not intended to confer upon any Person other than the parties to such agreements any rights or remedies. Accordingly, it is the

explicit intention of the parties hereto that no Person other than the parties to such agreements is or shall be entitled to bring any action to enforce any provision of this Agreement against any of the parties hereto, and that the covenants, undertakings, and agreements set forth in this Agreement shall be solely for the benefit of, and shall be enforceable only by the parties to such agreements or their respective successors and assigns as permitted hereunder.

SECTION 10.7 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, REGARDLESS OF THE LAWS THAT MIGHT OTHERWISE GOVERN UNDER APPLICABLE PRINCIPLES OF CONFLICT OF LAWS THEREOF.

SECTION 10.8 Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned or delegated, in whole or in part, by operation of law or otherwise by any of the parties without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

SECTION 10.9 Enforcement. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of the United States located in the State of Maryland or New York or in any Maryland or New York State court located in Maryland or New York, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself (without making such submission exclusive) to the personal jurisdiction of any federal court located in the State of Maryland or New York or any Maryland or New York State court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement and (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court.

SECTION 10.10 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any current or future law, and if the rights or obligations of the parties under this Agreement would not be materially and adversely affected thereby, such provision shall be fully separable, and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part thereof, the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance therefrom. In lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement, a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible, and the parties hereto request the court or any arbitrator to whom disputes relating to this Agreement are submitted to reform the otherwise illegal, invalid or unenforceable provision in accordance with this Section 10.10.

SECTION 10.11 Ability to Bind the Mendik Group. In the event a provision herein provides for the giving of any approval, consent or similar matter by the Mendik Group (as distinguished from any particular member of the Mendik Group) then the giving of the same by Mendik Holdings shall be deemed to be the giving of the same by the Mendik Group.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, or have caused this Agreement to be signed by their respective officers, general partners or members, as applicable, thereunto duly authorized, all as of the date first written above.

VORNADO REALTY TRUST

By:/s/Michael Fascitelli

Name: Michael Fascitelli
Title:President

VORNADO/SADDLE BROOK L.L.C.

By: Vornado Realty Trust, Sole Member

By:/s/Michael Fascitelli

Name: Michael Fascitelli
Title:President

THE MENDIK COMPANY, L.P.

By:The Mendik Company, Inc., General Partner

By:/s/David R. Greenbaum

David R. Greenbaum
President

THE MENDIK COMPANY, INC.

By:/s/David R. Greenbaum

David R. Greenbaum
President

FW/MENDIK REIT, L.L.C.

By: Mendik Holdings LLC, Member

By: Mendik Holdings, Inc.,
Managing Member

By:/s/David R. Greenbaum

David R. Greenbaum
President

MENDIK HOLDINGS LLC

By: Mendik Holdings, Inc.,
Managing Member

By:/s/David R. Greenbaum

David R. Greenbaum
President

MENDIK REALTY COMPANY, INC.

By:/s/David R. Greenbaum

David R. Greenbaum
President

MENDIK MANAGING AGENT COMPANY, INC.

By:/s/David R. Greenbaum

David R. Greenbaum
President

/s/Bernard H. Mendik

Bernard H. Mendik

/s/David R. Greenbaum

David R. Greenbaum

ANNEX A

MEMBERS OF THE MENDIK VOTING GROUP

Bernard H. Mendik
David R. Greenbaum
Christopher G. Bonk
John J. Silberstein
Mendik Realty Company, Inc.
The Mendik Partnership, L.P.
Mendik 1740 Corp.
Mendik RELP Corporation
Mendik 570 Corp.

ANNEX B

EXECUTIVE OFFICERS OF MENDIK REALTY COMPANY, INC.

Bernard H. Mendik
David R. Greenbaum
Christopher G. Bonk
Michael M. Downey
John J. Silberstein
David L. Sims
Kevin R. Wang

ANNEX C

MENDIK PERSONS WITH "KNOWLEDGE"

Bernard H. Mendik
David R. Greenbaum
Christopher G. Bonk
John J. Silberstein

ANNEX D

VORNADO PERSONS WITH "KNOWLEDGE"

Steven Roth
Michael Fascitelli
Joseph Macnow
Ross Morrison

List of Omitted Schedules,
Exhibits and Annexes

EXHIBITS:

EXHIBIT A: Form of Contribution Agreement (REIT Management Assets)

EXHIBIT B: Form of Contribution Agreement (Third-Party Management Assets)

EXHIBIT C-1: Form of Assignment and Assumption Agreement (Management Corporation Voting Stock, Management Corporation Non-Voting Stock and Management Corporation Note)

EXHIBIT C-2: Form of letter from Mendik Realty to the Operating Partnership

EXHIBIT D: Management Corporation Shareholders Agreement

EXHIBIT E-1: Form of Assignment and Assumption Agreement (Management Corporation Non-Voting Stock and the Management Corporation Note)

EXHIBIT E-2: Form of Letter Agreement between Mendik/FW LLC and the Operating Partnership

EXHIBIT F-1: Form of Two Penn Plaza Associates Partner Interest Contribution Agreement

EXHIBIT F-2: Form of Eleven Penn Partnerships Partner Interest Contribution Agreement

EXHIBIT F-3: Form of 1740 Broadway Associates Contribution Agreement

EXHIBIT F-4: Form of 866 U.N. Plaza Associates Partner Interest Contribution Agreement

EXHIBIT F-5: Form of B&B Partner Interest Contribution Agreement

EXHIBIT F-6: Form of M 330 Partner Interest Contribution Agreement

EXHIBIT F-7: Form of 570 Lexington Associates and 570 Lexington Investors Partner Interest Contribution Agreement

EXHIBIT F-8: Form of 1740 Broadway Investment Company Partner Interest Contribution Agreement

EXHIBIT H: Form of Registration Rights Agreement

EXHIBIT I: Form of Unit Redemption Agreement

EXHIBIT K-1: Form of Noncompetition Agreement Between Vornado and Bernard H. Mendik

EXHIBIT K-2: Form of Employment Agreement Between Vornado and David R. Greenbaum

EXHIBIT L-1: Form of Severance and Noncompetition Agreement Between Vornado and each of Christopher G. Bonk, Michael M. Downey, John J. Silberstein, David L. Sims and Kevin R. Wang

EXHIBIT L-2: Form of Letter Agreement with respect to certain indemnification rights of each of Christopher G. Bonk, Michael M. Downey, John J. Silberstein, David L. Sims and Kevin R. Wang as an employee of Vornado

EXHIBIT N: Form of Master Property Services Agreement (Wholly-Owned Properties)

EXHIBIT O: Form of Master Property Services Agreement (Partially-Owned Properties)

EXHIBIT P: Form of M 330 Amendment

EXHIBIT Q: Form of Mendik License Agreement

EXHIBIT R: Form of Indemnification Agreement

EXHIBIT U-1: List of Mendik Excluded Assets Subject to Options and Rights of First Refusal

EXHIBIT U-2: Form of Option Agreement for Mendik Excluded Assets

EXHIBIT V: Forms of factual certificates for tax opinions

Schedules (Attached to the Vornado Disclosure Letter or the Mendik Disclosure Letter, as applicable):

Schedule 3.1(b):	Vornado Subsidiaries
Schedule 3.1(c):	Vornado Securities
Schedule 3.1(d):	Vornado Authority and Consents
Schedule 3.1(e):	Vornado Undisclosed Liabilities
Schedule 3.1(f):	Vornado Material Adverse Changes
Schedule 3.1(g):	Vornado Litigation
Schedule 3.1(h):	Vornado Properties
Schedule 3.1(i):	Vornado Environmental Matters and Reports
Schedule 3.1(j):	Vornado Related Party Transactions
Schedule 3.1(k)(i):	Vornado Benefit Plans
Schedule 3.1(k)(ii):	Vornado ERISA Compliance
Schedule 3.1(l):	Vornado Taxes
Schedule 3.1(m):	Vornado Payments to Employees, Officers, Trustees and Directors
Schedule 3.1(p)(i):	Vornado Contracts
Schedule 3.1(p)(ii):	Vornado Debt Instruments
Schedule 3.2(b)(1):	Property Partnership Assets
Schedule 3.2(b)(2):	Property Partnership Agreements
Schedule 3.2(c)(1):	Partners in the Property Partnerships and the Property-Owning Entities
Schedule 3.2(c)(2):	Property Partnership Securities
Schedule 3.2(d):	Mendik Authority and Consents
Schedule 3.2(e)(i):	Mendik Financial Statements
Schedule 3.2(e)(ii):	Mendik Undisclosed Liabilities
Schedule 3.2(f):	Mendik Material Adverse Changes
Schedule 3.2(g):	Mendik Litigation
Schedule 3.2(h):	Mendik Properties
Schedule 3.2(k):	Mendik Taxes
Schedule 3.2(m):	Mendik Compliance
Schedule 3.2(n)(i):	Mendik Contracts
Schedule 3.2(n)(ii):	Mendik Defaults
Schedule 3.2(n)(iii)(A):	Mendik Mortgage Indebtedness
Schedule 3.2(n)(iii)(B):	Mendik Debt Instruments
Schedule 3.2(o)	REIT Qualification Tax Matters
Schedule 3.2(p)(1):	Management Business Liens
Schedule 3.2(p)(2):	Management Business Excluded Assets
Schedule 3.2(p)(3)	Management Business Breaches
Schedule 4.1:	Mendik Covenants
Schedule 5.2:	Mendik Third-Party Disclosures

Schedule 5.13:	Financing Transactions
Schedule 5.15:	Cleaning Business Transactions
Schedule 6.1(b):	Mendik Required Third-Party Consents

Annexes:

ANNEX A:	Mendik Voting Group
ANNEX B:	Mendik Executives
ANNEX C:	Persons with "Knowledge" with respect to the Operating Partnership, the Mendik Group the Property Partnerships and the Property-Owning Entities
ANNEX D:	Persons with "Knowledge" with respect to Vornado and Vornado Sub

Exhibit 2.1(a)

APPENDIX A

Structure for Transfers of Mendik Property Interests to Operating Partnership

A. Two Penn Plaza

1. The Major Partner's limited partnership interests in Two Penn Plaza Associates would be transferred to the Operating Partnership, as the assignee of Mendik/FW LLC of the Major Partner Agreement with respect to Two Penn Plaza Associates, in exchange for the number of Units set forth on Schedule A with respect to such transfers, in accordance with the terms of such Major Partner Agreement as the same may be hereafter amended, with the consent of Vornado (not to be unreasonably withheld or delayed). Such assignment of the Major Partner Agreement would provide that any refunds of real estate taxes received with respect to Two Penn Plaza for periods prior to the Closing Date would be retained by Mendik/FW LLC.

2. The Mendik Partnership L.P.'s general partnership interest in Two Penn Plaza Associates would be transferred to a limited liability company ("LLC") which is wholly owned by the Operating Partnership ("OP Sub-2 Penn") in exchange for the number of Units set forth on Schedule A with respect to such transfer.

3. The interests of all of the other partners in Two Penn Plaza Associates, L.P. would be transferred to the Operating Partnership in exchange for the number of Units set forth on Schedule A with respect to such transfers. As a result, OP Sub-2 Penn would be the sole general partner of Two Penn Plaza Associates and the Operating Partnership would be the sole limited partner thereof.

4. The Major Partner would transfer its Units to Vornado in exchange for a like number of shares.

B. 11 Penn Plaza

1. Eleven Penn Plaza Company would be converted to an LLC. M 393 Associates would be converted to an LLC. A qualified REIT subsidiary would contribute a small amount of cash (as set forth on Schedule A with respect to such transfer) to M 393 Associates LLC in exchange for a small interest in M 393 Associates LLC.

2. The interests of all of the partners of M/F Associates, M/F Eleven Associates, M/S Associates and M/S Eleven Associates would be transferred to a wholly owned LLC of the Operating Partnership ("OP Sub-11 Penn") in exchange for the number of Units set forth on Schedule A with respect to such transfers. As a result, all of such partnerships would dissolve by operation of law. Upon such dissolutions, the interests in M 393 Associates LLC would be owned by

OP Sub-11 Penn and the qualified REIT subsidiary. All of the interests in M Eleven Associates would be owned by OP Sub-11 Penn and would dissolve by operation of law.

3. Eleven Penn Plaza Company LLC would be owned 50% by OP Sub-11 Penn and 50% by M 393 Associates LLC.

C. 1740 Broadway

1. If the Closing Date shall be on or before the Outside Date (as defined in Section 5.12 of the Agreement):

a. The Major Partner interests in 1740 Broadway Associates would be purchased by a wholly owned LLC of the Operating Partnership ("OP Sub-1740"), as the assignee of Mendik/FW LLC of the Major Partner Agreement with respect to 1740 Broadway Associates, for cash (in the amount set forth on Schedule A annexed hereto and made a part hereof with respect to such transfers) in accordance with the terms of such Major Partner Agreement as the same may be hereafter amended, with the consent of Vornado (not to be unreasonably withheld or delayed). Such assignment of the Major Partner Agreement would provide that any refunds of real estate taxes received with respect to 1740 Broadway for periods prior to the Closing Date would be retained by Mendik/FW LLC.

b. The interests of the partners in 1740 Broadway Investment Company other than the interests of Mr. Mendik, MIL Equities and 1740 Corp., would be purchased by the Operating Partnership for cash in the amount set forth on Schedule A with respect to such transfer. The interests of Mr. Mendik, MIL Equities and Mendik 1740 Corp. in 1740 Broadway Investment Company would be transferred to the Operating Partnership for the number of Units set forth on Schedule A with respect to such transfers. Upon such purchase and transfers, 1740 Broadway Investment Company would dissolve by operation of law.

c. Mendik 1740 Corp.'s interest in 1740 Broadway Associates would be transferred to Op Sub-1740 in exchange for Units, in the number set forth on Schedule A with respect to such transfer. As a result, OP Sub-1740 would be the sole partner of 1740 Broadway Associates, and OP Sub-1740 and the Operating Partnership would be the limited partners of 1740 Broadway Associates.

d. If less than all of the partners in 1740 Broadway Investment Company consent to the transfers of their interests, then 1740 Broadway Investment Company would transfer its interest as a partner in 1740 Broadway Associates, L.P. to the Operating Partnership for cash in the amount set forth on Schedule A with respect to such transfer.

2. If the Closing Date shall be after the Outside Date and the Vornado 1740 Sub (as defined in Section 5.12 of the Agreement) shall have acquired

all of the interests in 1740 Broadway Associates as contemplated by Section 5.12 of the Agreement, then the Vornado 1740 Sub would transfer all of such interests to the Operating Partnership or to OP Sub-1740, as Vornado shall elect. As a result, 1740 Broadway Associates would be wholly owned by the Operating Partnership and/or OP Sub-1740.

The assignment of the Major Partner Agreement from Mendik/FW LLC to Vornado in accordance with Section 5.12 of the Agreement would provide that any refunds of real estate taxes received with respect to 1740 Broadway for periods prior to the Outside Date would be retained by Mendik/FW LLC.

D. 866 U.N. Plaza

At the closing, all of the interests in 866 U.N. Plaza Associates LLC would be transferred to the Operating Partnership in exchange for the number of Units set forth on Schedule A with respect to such transfers. As a result, the Operating Partnership would be the sole member of 866 U.N. Plaza Associates LLC.

E. Two Park

1. a. If the Closing Date shall be on or before the Outside Date, then the Major Partner interests in B&B would be purchased by a wholly owned LLC of the Operating Partnership ("OP Sub-B&B"), as the assignee of Mendik/FW LLC of the Major Partner Agreement with respect to B&B, for cash (in the amount set forth on Schedule A with respect to such transfers) in accordance with the terms of such Major Partner Agreement as the same may be hereafter amended, with the consent of Vornado (not to be unreasonably withheld or delayed). Immediately after such acquisition, OP Sub-B&B would transfer its interest as a limited partner in B&B to the Operating Partnership. Such assignment of the Major Partner Agreement would provide that any refunds of real estate taxes received with respect to Two Park Avenue for periods prior to the Closing Date would be retained by Mendik/FW LLC.

b. If the Closing Date shall be after the Outside Date and Mendik/FW LLC shall have acquired the Major Partner interests in B&B for cash (in the amount set forth on Schedule A with respect to such transfers), which cash shall have been loaned to Mendik/FW LLC by the Vornado 1740 Sub pursuant to the B&B Loan (as defined in Section 5.12 of the Agreement), then OP Sub-B&B shall acquire such interests directly from Mendik/FW LLC pursuant to the Contribution Agreement described in Section 1.1(f) of the Agreement. Immediately after such acquisition, Op Sub-B&B would transfer its interest as a limited partner in B&B to the Operating Partnership. Such Contribution Agreement relating to the transfer of the Major Partner interest in B&B would provide that any refunds of real estate taxes received with respect to Two Park Avenue for periods prior to the Closing Date would be retained by Mendik/FW LLC.

2. The interest of Mendik RELP Corporation (formerly Mendik Corporation) in B&B would be transferred to OP Sub-B&B in exchange for the number of Units set forth on Schedule A with respect to such transfer.

3. The limited partnership interest of Mr. Mendik in B&B would be transferred to the Operating Partnership.

4. As a result of the ongoing transfers, Op Sub-B&B would be the sole general partner of B&B and the Operating Partnership would be the limited partner.

F. 330 Madison

1. A portion of the general partnership interest held by The Mendik Partnership L.P. (formerly The Mendik Company, L.P.) in M 330 Associates (including the right to receive 100% of the priority payments payable to The Mendik Partnership, L.P., but excluding any rights or obligations of The Mendik Partnership, L.P. as managing general partner) would be converted to a limited partnership interest. The Mendik Partnership L.P. would retain a 1% general partnership interest and would remain as managing partner of M 330 Associates. The conversion of The Mendik Partnership L.P.'s interest would expressly provide that the converted interest excludes any rights or obligations of The Mendik Partnership L.P. as managing general partner.

2. At the closing, The Mendik Partnership, L.P.'s interest as a limited partner in M 330 Associates would be transferred to the Operating Partnership in exchange for the number of Units set forth on Schedule A with respect to such transfers.

3. The .4644% interest of Knatten Inc. as a general partner in M 330 Associates would be transferred to a wholly owned LLC of the Operating Partnership ("OP Sub-330") in exchange for the number of Units set forth on Schedule A with respect to such transfers. All of the remaining limited partnership interests in M 330 Associates also would be transferred to the Operating Partnership in exchange for the number of Units set forth on Schedule A with respect to such transfers. As a result, M 330 Associates would be owned 98.5356% by the Operating Partnership, .4644% by OP Sub-330 as general partner and 1% by The Mendik Partnership, L.P. as managing general partner.

4. By reason of the transfer to OP Sub-330 of Knatten's general partnership interest in M 330 Associates, OP Sub-330 would become the "Administrative General Partner" of M 330 Associates.

5. Partners in M 330 Associates may receive additional Units as set forth in the applicable Partner Interest Contribution Agreement with respect to 330 Madison Avenue.

G. 570 Lexington

1. The interests of the partners in 570 Lexington Investors would be transferred to the Operating Partnership in exchange for the number of Units set forth on Schedule A with respect to such transfers. Upon such purchase and transfers, 570 Lexington Investors would dissolve by operation of law. The outstanding principal balance [together with accrued interest thereon] of the promissory note, dated as of October 1, 1996, from 570 Lexington Investors to Mendik Realty, given with respect to the capital contributions to 570 Lexington Associates made by Mendik Realty after October 1, 1996, on behalf of and as a loan to 570 Lexington Investors, will be paid by the Operating Partnership simultaneously with the consummation of the foregoing transfers. The outstanding principal balance of such promissory note, as of March 1, 1997, is $280,000.

2. Mendik 570 Corp. would transfer its general partnership interest in 570 Lexington Associates to a wholly owned LLC of the Operating Partnership ("OP Sub-570") in exchange for the number of Units set forth on Schedule A with respect to such transfers.

3. The interests of The Mendik Partnership, L.P. (formerly The Mendik Company, L.P.) as special limited partner would be transferred to the Operating Partnership in exchange for the number of Units set forth on Schedule A with respect to such transfer. As a result, the general partners of 570 Lexington Associates, L.P. would be Quantum 570 Lexington L.P., OP Sub-570 and the limited partner and special limited partner would be the Operating Partnership.

After giving effect to all of the foregoing transfers, the Operating Partnership or a subsidiary of the Operating Partnership would have acquired the interests of the Partners in exchange for a combination of cash and Units as set forth on Schedule A, all pursuant to the Partner Interest Contribution Agreements. The number of Units issued to each class of Partners in Eleven Penn Plaza, 330 Madison Avenue and 866 U.N. Plaza, as set forth on Schedule A, may increase based upon adjustments made with respect to "Net Other Assets" as more particularly described in the respective Partner Interest Contribution Agreements affecting the contribution of interests in such properties. The number of Units issued to Mendik/FW LLC in the recapitalization of the Operating Partnership pursuant to Section 1.2 of this Agreement shall be reduced by an amount equal to the quotient of (x) the sum of (i) the amount by which "Net Other Assets" (as defined in the Partner Interest Contribution Agreements with respect to Eleven Penn Plaza Company) of Eleven Penn Plaza Company exceeds $0 as of the Closing Date, and (ii) the amount by which "Net Other Assets" (as defined in the Partner Interest Contribution Agreement with respect to 866 U.N. Plaza Associates) of 866 U.N. Plaza Associates exceeds $9,250,000 as of the Closing Date.

In the event that any of the foregoing transfers cannot be consummated as a result of the failure to obtain any necessary consents in connection with the

transfers contemplated hereby, the Mendik Group, Vornado and the Operating Partnership will use commercially reasonable efforts to restructure the transfers of interests to the Operating Partnership so as to effect a result similar to the structure contemplated by this Appendix A, provided that the same shall not change in any material respect the rights and obligations of the parties from those otherwise contemplated in this Agreement.

SCHEDULE A

BUILDINGS	UNITS	CASH
2 PENN PLAZA:		
Mendik Investors - Class C	22,373	
Other Investors - Class D	26,006	
Major Partner	962	
11 PENN PLAZA:		
Mendik Investors - Class C	87,017	
Other Investors - Class D	321,018	
M/S Limited Partners - Class E	388,124	
1740 BROADWAY:		
Mendik Investors - Class C	16,336*	
Other Investors - Cash		$ 2,450,000
Major Partner		$ 73,000,000
866 UNITED NATIONS PLAZA:		
Mendik Investors - Class C	70,757	
Other Investors - Class D	121,548	

* If the Closing Date shall be after the Outside Date and the Vornado 1740 Sub shall have acquired all of the interests of the Mendik Investors for cash as contemplated by Section 5.12 of the Agreement, these Class C Units would not be distributed to the Mendik Investors. In addition, if less than all of the partners in 1740 Broadway Investment Company consent to the transfer of their interests, these Class C Units would not be distributed and, in lieu thereof, additional cash, in the amount of $849,472, would be paid to 1740 Broadway Investment Company in consideration of its interest in 1740 Broadway Associates.

2 PARK AVENUE:		
Mendik Investors - Class C	423	$ 14,775,000
Major Partner		
330 MADISON AVENUE:		
Mendik Investors - Class C	103,244	
Other Investors - Class D	104,444	
570 LEXINGTON AVENUE:		
Mendik Investors - Class C	46,151	
Other Investors - Class D	30,770	
TOTAL BY CLASS:		
Mendik Investors - Class C	346,301	
Other Investors - Class D	603,786	
M/S Limited Partners - Class E	388,124	
Major Partner	962	$ 87,775,000
Other Investors - Cash		2,450,000
TOTAL	1,339,173	$ 90,225,000

Schedule 1

Shareholder	Common Shares
Mr. Steven Roth	774,250*
Mr. Michael Fascitelli	0**
Interstate Properties	6,471,500***

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* Of these Shares, 750,000 are pledged to secure a loan from the Company.

** As of the date of this agreement, Mr. Michael Fascitelli owns options to acquire 1,750,000 Common Shares, subject to certain vesting restrictions.

*** Of these Shares, 2,000,000 are pledged to Fleet Bank to secure Interstate Properties' line of credit.

Schedule 2

1,038,118

Exhibit 2.1(b)

Appendix B

March ___, 1997

RE: Vornado Realty Trust -- UPREIT Formation

All of the transactions set forth in the following, including the transfers to Delaware LLC 1, are intended to take place and be effective on the same date. The contributions to Delaware LLC 1 are intended to be the last step in this sequence and it is necessary that all of the liquidations, dissolutions and mergers provided for herein be completed and effective prior to the contributions to Delaware LLC 1. The limited liability company is the survivor in all mergers of corporations with limited liability companies.

I. PROPERTIES HELD DIRECTLY BY VORNADO REALTY TRUST

All property, other than interests in qualified REIT subsidiaries, held directly by Vornado Realty Trust ("Vornado") will be transferred to a newly-formed Delaware limited liability company ("Delaware LLC 1"). This property includes:

East Brunswick Warehouse
[Saddle Brook Office (lease)]
[nonvoting shares in Vornado Management Corp.]

II. PROPERTIES HELD BY VORNADO THROUGH QUALIFIED REIT SUBSIDIARIES ("QRSs") OTHER THAN THOSE UNDER VORNADO FINANCE CORP. ("VFC")

A. Non-Pennsylvania Properties.

1. Delaware Entities

Vornado Investments Corp. will transfer all of its assets, including securities and its shares in Alexander's, Inc., to Delaware LLC 1.

2. New Jersey Entities

Vornado will transfer 1% of the interests in each of:

Bridgeland Warehouses, Inc.
Durham Leasing Corporation
Hackbridge Corporation
Littleton Holding Corporation
Kearny Leasing Corporation
Kearny Holding Corporation
Montclair Holding Corporation
North Bergen Stores, Inc.
Clementon Holding Corp.
No. Plainfield Holding Corp.
Rahway Leasing Corporation
Watchung Holding Corporation
(the "New Jersey Direct QRSs")

to a newly-formed Delaware LLC ("Delaware LLC 2"). Immediately following that transfer Vornado will own all of the interests in Delaware LLC 2.

Then each of the New Jersey Direct QRSs will be merged into a newly-formed New Jersey limited liability company (New Jersey LLCs 1 through 12"). All of the interests in New Jersey LLCs 1 through 12 will be held by Vornado, either directly or through Delaware LLC2, immediately following those mergers. Vornado will then contribute the interests that it holds directly in New Jersey LLCs 1 through 12, and the interests in Delaware LLC 2, to Delaware LLC 1.

3. New York Entities

Each of:

Cross Avenue Broadway Corporation
14th Street Acquisition Corporation
Greenwich Holding Corporation
Menands Holding Corporation
Two Guys from Harrison, N.Y., Inc.
(the "New York Direct QRSs")

will transfer its assets to a newly-formed New York limited liability company ("New York LLCs 1 through 5). Immediately following those transfers, the

New York Direct QRSs will own all of the interests in New York LLCs 1 through 5, but on the same date the New York Direct QRSs will contribute the interests in New York LLCs 1 through 5 to Delaware LLC 1. The New York Direct QRSs will continue to exist as direct subsidiaries of Vornado.

In addition, 825 Seventh Avenue Holding Corporation ("825 Corporation") will transfer all of its assets other than 21% of the interests in [825 Seventh Avenue LLC] to a newly-formed New York limited liability company ("New York LLC 6"), the interests in New York LLC 6 will be contributed on the same date to Delaware LLC 1.*

4. Maryland Entities

Each of:

Hagerstown Holding Corporation
T.G. Stores, Inc.
(the "Maryland Direct QRSs")

will merge into a newly-formed Maryland limited liability company ("Maryland LLCs 1 and 2"). All of the interests in Maryland LLCs 1 and 2 will be held by Vornado immediately following the mergers, but will be contributed on that same date to Delaware LLC 1.

5. Connecticut Entities

None.

6. Massachusetts Entities

Vornado will transfer 1% of the interests in each of:

Two Guys Mass., Inc.
Springfield Holding Corporation
(the "Massachusetts Direct QRSs")

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* Alternatively, if consent to the transfer of the 21% interest is obtained, 825 Seventh Avenue Holding Corporation will transfer all of its assets to New York LLC 6.

to a newly-formed Delaware LLC ("Delaware LLC 3"). Immediately following that transfer Vornado will own all of the interests in Delaware LLC 3.

Then the Massachusetts direct QRSs will each merge into a newly-formed Massachusetts limited liability company ("Massachusetts LLCs 1 and 2"). Following those mergers Vornado will own, either directly or through Delaware LLC 3, all of the interests in Massachusetts LLCs 1 and 2. Vornado will then contribute the interests that it holds directly in Massachusetts LLCs 1 and 2, and the interests in Delaware LLC 3, to Delaware LLC 1.

7. Texas Entities

None.

B. Pennsylvania Properties

Bethlehem Holding Company* will form a wholly-owned limited liability company subsidiary ("Pennsylvania LLC 1"), then contribute its assets to a newly-formed Pennsylvania limited partnership ("Pennsylvania LP 1") in which the Bethlehem Holding Company will hold a 99% limited partnership interest and Pennsylvania LLC 1 will hold a 1% general partnership interest. Immediately following but on the same date as those transactions, Bethlehem Holding Company will contribute its limited partnership interests in Pennsylvania LP 1 and the membership interests in Pennsylvania LLC 1 to Delaware LLC 1.**

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* This entity is organized as a business trust. It is owned by Vornado Acquisition Corp., a subsidiary of Vornado.

** [We are considering whether this Pennsylvania business trust can be transferred under Delaware LLC 1 without dropping its property into a lower-tier limited partnership.]

Gallery Market Holding Company* will form a wholly-owned limited liability company subsidiary ("Pennsylvania LLC 2"), then contribute its assets to a newly-formed Pennsylvania limited partnership ("Pennsylvania LP 2") in which Gallery Market Holding Company will hold a 99% limited partnership interest and Pennsylvania LLC 2 will hold a 1% general partnership interest. Immediately following but on the same date as those transactions, Gallery Market Holding Company will contribute its limited partnership interests in Pennsylvania LP 2 and the membership interests in Pennsylvania LLC 2 to Delaware LLC 1.**

III. PROPERTIES HELD BY VORNADO THROUGH VFC

A. VFC's Formation of a Lower-tier Partnership

VFC will form a Delaware limited liability company ("Delaware LLC 4") and then contribute all of the interests in

Vornado Holding Corporation
Lanthorp Enterprises, Inc.
Atlantic City Holding Corporation
Bordentown Holding Corporation
Phillipsburg Holding Corp.
Camden Holding Corporation
Cumberland Holding Corporation
Delran Holding Corporation
Dover Holding Corporation
Evesham Holding Corporation
Hanover Holding Corp.
Hanover Public Warehousing, Inc.
Hanover Industries, Inc.
T.G. Hanover, Inc.
Hanover Leasing Corporation
Jersey City Leasing Corporation
Lawnside Holding Corporation
The Second Lawnside Corp.
Whitehorse Lawnside Corp.

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* This entity is organized as a business trust that is wholly-owned by Vornado.

** [We are considering whether this Pennsylvania business trust can be moved under Delaware LLC 1 without dropping its properties into a lower-tier partnerships.]

Lawnwhite Holding Corp.
Lodi Industries Corporation
Lodi Leasing Corporation
Manalapan Industries, Inc.
Middletown Holding Corporation
New Hanover, Inc.
New Woodbridge, Inc.
Star Universal Corporation
Turnersville Holding Corporation
Two Guys From Harrison, Inc.
Unado Corp.
Amherst Industries Inc.
Amherst Holding Corporation
Brentwood Development Corp.
Henrietta Holding Corporation
Rochester Holding Corporation
The 2nd Rochester Corp.
Dundalk Stores Corp.
Eudowood Holding Corporation
Glen Burnie Shopping Plaza, Inc.
Two Guys - Conn., Inc.
Newington Holding Corporation
Chicopee Holding Corporation
Dallas Skillman Abrams Crossing Corporation
Lewisville Town Centre Corporation
Mesquite Crossing Corporation

to a newly-formed Delaware limited partnership ("Delaware LP 1") in which the 99% limited partnership interest will be held by VFC and the 1% general partnership interest will be held by Delaware LLC 4. VFC will contribute all of its interests in Delaware LP 1 and Delaware LLC 4 to Delaware LLC 1. VFC will continue to exist as a direct subsidiary of Vornado.

B. Activities Beneath the Delaware LP 1

1. Non-Vornado Holding Corporation QRSs

a. Delaware Entities

Lanthorp Enterprises, Inc. will merge into a newly-formed Delaware limited liability company ("Delaware LLC 5"). Following that merger, Delaware LP 1 will own all of the interests in Delaware LLC 5.

b. New Jersey Entities

Delaware LP 1 will transfer 1% of the interests in each of:

Atlantic City Holding Corporation
Bordentown Holding Corporation
Phillipsburg Holding Corp.
Camden Holding Corporation
Cumberland Holding Corporation
Delran Holding Corporation
Dover Holding Corporation
Evesham Holding Corporation
Hanover Holding Corporation
Hanover Public Warehousing, Inc.
Hanover Industries, Inc.
T.G. Hanover, Inc.
Hanover Leasing Corporation
Jersey City Leasing Corporation
Lawnside Holding Corporation
The Second Lawnside Corp.
Whitehorse Lawnside Corp.
Lawnwhite Holding Corp.
Lodi Industries Corporation
Lodi Leasing Corporation
Manalapan Industries, Inc.
Middletown Holding Corporation
New Hanover, Inc.
New Woodbridge, Inc.
Star Universal Corporation
Turnersville Holding Corporation
Two Guys From Harrison, Inc.
Unado Corp.
(together, the "New Jersey VFC QRSs")

to a newly-formed Delaware limited liability company ("Delaware LLC 6"). Immediately following that transfer Delaware LP 1 will own all of the interests in Delaware LLC 6.

Then each of the New Jersey VFC QRSs will merge into a newly-formed New Jersey limited liability company ("New Jersey LLCs 13 through 40"). Following those mergers, Delaware LP 1 will own all of the interests in New Jersey LLCs

13 through 40, either directly or, as to 1%, indirectly through Delaware LLC 6.*

c. New York Entities

Each of:

Amherst Industries, Inc.
Amherst Holding Corporation
Brentwood Development Corp.
Henrietta Holding Corporation
Rochester Holding Corporation
The 2nd Rochester Corp.

will merge into a newly-formed New York limited liability company ("New York LLCs 7 through 12"). Following those mergers, Delaware LP 1 will own all of the interests in New York LLCs 7 through 12.

d. Pennsylvania Entities

None.

e. Maryland Entities

Each of:

Dundalk Stores Corp.
Eudowood Holding Corporation
Glen Burnie Shopping Plaza, Inc.

will merge into a newly-formed Maryland limited liability company ("Maryland LLCs 3 through 5"). Following those mergers, Delaware LP 1 will own all of the interests in Maryland LLCs 3 through 5.

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* If required approvals for the mergers of the New Jersey VFC QRSs cannot be obtained in a timely fashion, they will drop their assets into New Jersey limited liability company subsidiaries (using a wholly-owned Delaware LLC sub as a 1% member, then distribute the interests in those limited liability companies to Delaware LP 1. After that distribution, Delaware LP 1 will transfer the shares in the New Jersey VFC QRSs (which at that point will just be shells) to Vornado or a subsidiary of Vornado.

f. Connecticut Entities

Prior to VFC's transfer of the interests in the VFC QRSs to Delaware LP 1, as described in Part III, A above, each of:

Two Guys - Conn., Inc.
Newington Holding Corporation

will transfer 1% of their assets to a Delaware limited convey their assets to a newly-formed Delaware limited liability company ("Delaware LLC 7"). Immediately following that transfer Two Guys - Conn., Inc. and Newington Holding Corporation will own all of the interests in Delaware LLC 7.

After that conveyance, Two Guys - Conn., Inc. and Delaware LLC 7 will transfer their assets (other than, in the case of Two Guys - Conn., Inc., the membership interests in Delaware LLC 7, and, in the case of Delaware LLC 7, its interest in the Newington Holding Corporation property) to a newly-formed Connecticut limited liability company ("Connecticut LLC 1"). Newington Holding Corporation and Delaware LLC 7 will make a similar transfer to a newly-formed Connecticut limited liability company ("Connecticut LLC 2").

Two Guys - Conn. Inc. and Newington Holding Corporation will then (i) dissolve or (ii) if state regulatory approvals delay their dissolution, distribute all of their assets to VFC, after which distribution VFC will transfer the stock of Two Guys - Conn., Inc. and Newington Holding Corporation (which at that point are only corporate shells) to another Vornado subsidiary.*

- --------
* If Two Guys - Conn., Inc. and Newington Holding Corporation are to dissolve, that dissolution will occur after VFC transfers its assets to Delaware LP 1.

g. Massachusetts Entities

Delaware LP 1 will transfer 1% of the interests in Chicopee Holding Corporation to a newly-formed Delaware limited liability company ("Delaware LLC 8"). Immediately following that contribution, Delaware LP 1 will own all of the interests in Delaware LLC 8.

Chicopee Holding Corporation will then merge into a newly-formed Massachusetts limited liability company ("Massachusetts LLC 3"). Following that merger, Delaware LP 1 will own all of the interests in Massachusetts LLC 3, either directly or, as to 1%, indirectly through Delaware LLC 8.

h. Texas Entities

Each of:

Dallas Skillman Abrams Crossing Corporation
Lewisville Town Centre Corporation
Mesquite Crossing Corporation

will form a wholly-owned Texas limited liability company ("Texas LLCs 1 through 3"), then contribute their properties to newly-formed Texas limited partnerships ("Texas LPs 1 through 3") in which the foregoing corporations (the "Texas QRSs") will hold direct 99% limited partnership interests and in which Texas LLCs 1 through 3 will hold the 1% general partnership interests. The Texas QRSs will then dissolve before VFC contributes its direct and indirect interests in Delaware LP 1 and Delaware LLC 2 to Delaware LLC 1.

2. Vornado Holding Corporation and its Subsidiaries

a. Step 1

After the transfer of the VFC subsidiaries to Delaware LP 1 and Delaware LLC 4 as described above in III, A, each of:

Bensalem Holding Company
Lancaster Holding Company
Marple Holding Company
Philadelphia Holding Company
Pike Holding Company
Two Guys From Harrison Company
Upper Moreland Holding Company
York Holding Company

will form a wholly-owned Pennsylvania limited liability company ("Pennsylvania LLCs 3 through 10"), then contribute their properties to newly-formed Pennsylvania limited partnerships ("Pennsylvania LPs 3 through 10") in which the foregoing entities (the "Pennsylvania QRSs") will hold direct 99% limited partnership interests and in which Pennsylvania LLCs 3 through 10 will hold the 1% general partnership interests.

b. Step 2:

Vornado Holding Corporation will then dissolve.

c. Step 3:

The Pennsylvania QRSs will then dissolve, causing Delaware LP 1 to own all of the interests in Pennsylvania LLCs 3 through 10 and, directly or indirectly, Pennsylvania LPs 3 through 10.]

IV. MERGER INTO OPERATING PARTNERSHIP

Following the completion of the steps described above, Delaware LLC 1 will merge into an existing Delaware limited partnership, Vornado Realty L.P. Vornado will receive 26,087,910 Units in Vornado Realty L.P., and such additional Units (with such designations, preferences and other rights) as Vornado (as General Partner of Vornado Realty L.P.) would be entitled to receive assuming that the First Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P. were in effect as of the date hereof,

including Sections 4.2.A. and 4.2.E., provided that Vornado shall contribute to the Operating Partnership, or shall use for the payment of Vornado's or Vornado Sub's obligations under the Master Contribution Agreement, the proceeds or other consideration from the issuance of Vornado's securities between the date hereof and the Closing or shall contribute to the Operating Partnership any assets purchased with such proceeds or other consideration.

V. 1740 BROADWAY ACQUISITION

Delaware LLC 1 will form a wholly-owned single member limited liability company that will acquire all the interests in 1740 Broadway Associates from 1740 Broadway Investment Company.

Exhibit 2.1(c)
EXHIBIT G

FIRST AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

VORNADO REALTY L.P.

Dated as of: ___, 1997

IN RELIANCE UPON CERTAIN EXEMPTIONS FROM REGISTRATION, THE PARTNERSHIP INTERESTS BEING OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. ACCORDINGLY, NO PARTNERSHIP INTEREST MAY BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE, AND UNLESS THE OTHER TRANSFER RESTRICTIONS CONTAINED HEREIN HAVE BEEN SATISFIED. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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FIRST AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF VORNADO REALTY L.P.

THIS FIRST AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF Vornado Realty L.P., dated as of _____, 1997, is entered into by and among Vornado Realty Trust, a Maryland real estate investment trust as the General Partner of and a Limited Partner in the Partnership, FW/Mendik REIT, L.L.C., a Delaware limited liability company, as a Limited Partner in the Partnership, and The Mendik Company, Inc., a Maryland corporation, as a Limited Partner in the Partnership, together with any other Persons who become Partners in the Partnership as provided herein.

WHEREAS, the Partnership was formed under the name "Mendik Real Estate Group, L.P." on October 2, 1996, and, on October 2, 1996, the Partnership adopted an Agreement of Limited Partnership (the "Prior Agreement");

WHEREAS, on November 7, 1996, the general partner of the Partnership changed the Partnership's name to "The Mendik Company, L.P." and, in connection therewith, caused a certificate of Amendment to the Certificate of Limited Partnership of the Partnership to be filed in the office of the Delaware Secretary of State on November 8, 1996;

WHEREAS, FW/Mendik REIT, L.L.C. and The Mendik Company, Inc., the partners of the Partnership under the Prior Agreement, have immediately prior to the Effective Date recapitalized the Partnership and propose to admit Vornado Realty Trust as the substituted General Partner of the Partnership and to merge with Vornado Sub and admit Vornado Realty Trust as an Additional Limited Partner in the Partnership and to recognize the conversion of the General Partnership Interest held by The Mendik Company, Inc. into a Limited Partnership Interest in the Partnership, and, in connection with the foregoing transactions, the parties hereto have agreed to amend and restate the Prior Agreement on the terms set forth below;

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby amend and restate the Prior Agreement in its entirety and agree to continue the Partnership as a limited partnership under the Delaware Revised Uniform Limited Partnership Act, as amended from time to time, as follows:

ARTICLE I
DEFINED TERMS

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"Act" means the Delaware Revised Uniform Limited Partnership Act, as it may be amended from time to time, and any successor to such statute.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 12.2 hereof and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each Partnership Year (i) increased by any amounts which such Partner is obligated to restore pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5) and (ii) decreased by the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any, in such Partner's Adjusted Capital Account as of the end of the relevant Partnership Year.

"Adjusted Property" means any property the Carrying Value of which has been adjusted pursuant to Exhibit B hereto.

"Adjustment Date" has the meaning set forth in Section 4.2.B hereof.

"Affiliate" means, with respect to any Person, (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any Person owning or controlling ten percent (10%) or more of the outstanding voting interests of such Person, (iii) any Person of which such Person owns or controls ten percent (10%) or more of the voting interests or (iv) any officer, director, general partner or trustee of such Person or any Person referred to in clauses (i), (ii), and (iii) above. For purposes of this definition, "control," when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Affiliated Transferee" means, with respect to any Limited Partner, a member of such Limited Partner's Immediate Family, a trust formed solely for the benefit of such Limited Partner and/or members of such Limited Partner's Immediate Family, or any partnership, limited liability company, joint venture, corporation or other business entity all of the interests in which are, and remain, owned and controlled solely by such Limited Partner and/or members of such Limited Partner's Immediate Family, and if the Limited Partner is an entity and owned Partnership Units on the Effective Date, Persons who, as of the Effective Date, owned interests in or were beneficiaries of such Limited Partner and continue to own such interests (or be beneficiaries) at the time of the proposed transfers.

"Agreed Value" means (i) in the case of any Contributed Property contributed to the Partnership as part of or in connection with the Consolidation, the amount set forth on Exhibit E attached hereto as the Agreed Value of such Property; (ii) in the case of any other Contributed Property, the 704(c) Value of such property as of the time of its contribution to the Partnership, reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed; and (iii) in the case of any property distributed to a Partner by the Partnership, the Partnership's Carrying Value of such property at the time such property is distributed, reduced by any indebtedness either assumed by such Partner upon such distribution or to which such property is subject at the time of distribution as determined under Section 752 of the Code and the regulations thereunder.

"Agreement" means this First Amended and Restated Agreement of Limited Partnership, as it may be amended, supplemented or restated from time to time.

"Assignee" means a Person to whom one or more Partnership Units have been transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5 hereof.

"Bankruptcy" with respect to any Person shall be deemed to have occurred when (a) the Person commences a voluntary proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect, (b) the Person is adjudged as bankrupt or insolvent, or a final and nonappealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Person, (c) the Person executes and delivers a general assignment for the benefit of the Person's creditors, (d) the Person files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Person in any proceeding of the nature described in clause (b) above, (e) the Person seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator for the Person or for all or any substantial part of the Person's properties, (f) any proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within one hundred twenty (120) days after the commencement thereof, (g) the appointment without the Person's consent or acquiescence of a trustee, receiver of liquidator has not been vacated or stayed within ninety (90) days of such appointment or (h) an appointment referred to in clause (g) is not vacated within ninety (90) days after the expiration of any such stay.

"Book-Tax Disparities" means, with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Exhibit B hereto and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained, with respect to each such Contributed Property or Adjusted Property, strictly in accordance with federal income tax accounting principles.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

"Capital Account" means the Capital Account maintained for a Partner pursuant to Exhibit B hereto.

"Capital Contribution" means, with respect to any Partner, any cash, cash equivalents or the Agreed Value of Contributed Property which such Partner contributes or is deemed to contribute to the Partnership pursuant to Section 4.1 or 4.2 hereof.

"Carrying Value" means (i) with respect to a Contributed Property or Adjusted Property, the 704(c) Value of such property reduced (but not below zero) by all Depreciation with respect to such Contributed Property or Adjusted Property, as the case may be, charged to the Partners' Capital Accounts and (ii) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Exhibit B hereto, and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"Cash Amount" means an amount of cash equal to the Value on the Valuation Date of the Shares Amount, subject to Section 8.6.A(iv).

"Certificate" means the Certificate of Limited Partnership of the Partnership filed in the office of the Delaware Secretary of State on October 2, 1996, as amended by a Certificate of Amendment filed in Delaware on November 8, 1996, and as further amended from time to time in accordance with the terms hereof and the Act.

"Charter Documents" has the meaning set forth in Section 7.11.D hereof.

"Class A Unit" means any Partnership Unit that is not specifically designated by the General Partner as being of another specified class of Partnership Units.

"Class B Unit" means a Partnership Unit that is specifically designated by the General Partner as being a Class B Unit.

"Class C Accumulated Amount" has the meaning set forth in Section 4.2.D(i).

"Class C Preferential Distribution" has the meaning set forth in Section 5.1.B.

"Class C Unit" means any Partnership Unit that is specifically designated by the General Partner as being a Class C Unit.

"Class D/E Accumulated Amount" has the meaning set forth in Section 4.2.D(ii).

"Class D/E Preferential Distribution" has the meaning set forth in Section 5.1.B.

"Class D Unit" means a Partnership Unit that is specifically designated by the General Partner as being a Class D Unit.

"Class E Unit" means any Partnership Unit that is specifically designated by the General Partner as being a Class E Unit.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, as interpreted by the applicable regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Consent" means the consent or approval of a proposed action by a Partner given in accordance with Section 14.2 hereof.

"Consent of Certain Limited Partners" means Consent of the holders of 75% in the aggregate of the Two Penn Plaza Units, the Eleven Penn Plaza Units, and the 866 U.N. Plaza Units, collectively considered as one group, provided that:

(A) if:

(i) there has been a prior transaction involving the Two Penn Plaza Property, the Eleven Penn Plaza Property, or the 866 U.N. Plaza Property, as the case may be, that has been approved by the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units, or the 866 U.N. Plaza Units, as the case may be, pursuant to Section 7.11.C(1), 7.11.C(2) or 7.11.C(3), as applicable, and

(ii) no holder of Two Penn Plaza Units, Eleven Penn Plaza Units, or 866 U.N. Plaza Units, as applicable with respect to a transaction involving Two Penn Plaza, Eleven Penn Plaza or 866 U.N. Plaza, respectively, would recognize gain for federal income tax purposes with respect to (but only with respect to) such Partnership Units in excess of $1.00 as a result of the sale or other disposition of all such Partnership

Units for $1.00 (that is, no Limited Partner has a "negative capital account" with respect to such Partnership Units),

then the "Certain Limited Partners" shall not be considered to include the holders of such Partnership Units; and

(B) if any holder of Two Penn Plaza Units, Eleven Penn Plaza Units or 866 U.N. Plaza Units, as applicable, has received from the Partnership the payment described in Section 7.11.C(7) in respect of such Partnership Units, and the amount of such payment is, at the time that it is made, equal to the full amount that would be payable under Section 7.11.C(7) with respect to such Partnership Units if the Two Penn Plaza Property, the Eleven Penn Plaza Property, or the 866 U.N. Plaza Property, as applicable, were to have been sold on such date for its market value, then the "Certain Limited Partners" shall not include such holder.

"Consent of the Outside Limited Partners" means the Consent of Limited Partners (excluding for this purpose any Limited Partnership Interests held by the General Partner, any Person of which the General Partner owns or controls more than fifty percent (50%) of the voting interests and any Person owning or controlling, directly or indirectly, more than fifty percent (50%) of the outstanding voting interests of the General Partner) holding Percentage Interests regardless of class that are greater than fifty percent (50%) of the aggregate Percentage Interest of all Limited Partners of all classes taken together who are not excluded for the purposes hereof.

"Consolidation" means the transactions whereby the Partnership will acquire all or substantially all of the interests in the assets currently owned by the General Partner, interests in certain office properties located in midtown Manhattan, and certain property management businesses that provide services to those office properties and to other properties in the New York metropolitan area, in exchange for Partnership Units, all as described in a Master Consolidation Agreement dated as of March __, 1997 among the General Partner, Vornado Sub, the Partnership and the other entities named therein.

"Consolidation Transaction" has the meaning set forth in Section 7.11.C(6) hereof.

"Contributed Property" means each property or other asset contributed to the Partnership, in such form as may be permitted by the Act, but excluding cash contributed or deemed contributed to the Partnership. Once the Carrying Value of a Contributed Property is adjusted pursuant to Exhibit B hereto, such property shall no longer constitute a Contributed Property for purposes of Exhibit B hereto, but shall be deemed an Adjusted Property for such purposes.

"Conversion Factor" means 1.0; provided that in the event that the General Partner Entity (i) declares (and the applicable record date has passed or will have passed before a redeeming Partner would receive cash or Common Shares in respect of the Partnership Units being redeemed) or pays a dividend on its outstanding Shares in Shares or makes a distribution to all holders of its outstanding Shares in Shares, (ii) subdivides its outstanding Shares or (iii) combines its outstanding Shares into a smaller number of Shares, the Conversion Factor shall be adjusted by multiplying the Conversion Factor by a fraction, the numerator of which shall be the number of Shares issued and outstanding on the record date for such dividend, distribution, subdivision or combination (assuming for such purposes that such dividend, distribution, subdivision or combination has occurred as of such time) and the denominator of which shall be the actual number of Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, subdivision or combination; and provided further that in the event that an entity shall cease to be the General Partner Entity (the "Predecessor Entity") and another entity shall become the General Partner Entity (the "Successor Entity"), the Conversion Factor shall be adjusted by multiplying the Conversion Factor by a

fraction, the numerator of which is the Value of one Share of the Predecessor Entity, determined as of the time immediately prior to when the Successor Entity becomes the General Partner Entity, and the denominator of which is the Value of one Share of the Successor Entity, determined as of that same date. (For purposes of the second proviso in the preceding sentence, in the event that any shareholders of the Predecessor Entity will receive consideration in connection with the transaction in which the Successor Entity becomes the General Partner Entity, the numerator in the fraction described above for determining the adjustment to the Conversion Factor (that is, the Value of one Share of the Predecessor Entity) shall be the sum of the greatest amount of cash and the fair market value of any securities and other consideration that the holder of one Share in the Predecessor Entity could have received in such transaction (determined without regard to any provisions governing fractional shares).) Any adjustment to the Conversion Factor shall become effective immediately after the effective date of such event retroactive to the record date, if any, for the event giving rise thereto; it being intended that (x) adjustments to the Conversion Factor are to be made in order to avoid unintended dilution or anti-dilution as a result of transactions in which Shares are issued, redeemed or exchanged without a corresponding issuance, redemption or exchange of Partnership Units and (y) if a Specified Redemption Date shall fall between the record date and the effective date of any event of the type described above, that the Conversion Factor applicable to such redemption shall be adjusted to take into account such event.

"Convertible Funding Debt" has the meaning set forth in Section 7.5.F hereof.

"Debt" means, as to any Person, as of any date of determination, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, (ii) all amounts owed by such Person to banks or other Persons in respect of reimbursement obligations under letters of credit, surety bonds and other similar instruments guaranteeing payment or other performance of obligations by such Person, (iii) all indebtedness for borrowed money or for the deferred purchase price of property or services secured by any lien on any property owned by such Person, to the extent attributable to such Person's interest in such property, even though such Person has not assumed or become liable for the payment thereof, and (iv) obligations of such Person incurred in connection with entering into a lease which, in accordance with generally accepted accounting principles, should be capitalized.

"Declaration of Trust" means the Declaration of Trust or other similar organizational document governing the General Partner, as amended, supplemented or restated from time to time.

"Deemed Partnership Interest Value" means, as of any date with respect to any class of Partnership Interests, the Deemed Value of the Partnership Interest of such class multiplied by the applicable Partner's Percentage Interest of such class.

"Deemed Value of the Partnership Interest" means, as of any date with respect to any class of Partnership Interests, (a) if the common shares of beneficial interest (or other comparable equity interests) of the General Partner are Publicly Traded (i) the total number of shares of beneficial interest (or other comparable equity interest) of the General Partner corresponding to such class of Partnership Interest (as provided for in Section 4.2.B hereof) issued and outstanding as of the close of business on such date (excluding any treasury shares) multiplied by the Value of a share of such beneficial interest (or other comparable equity interest) on such date divided by (ii) the Percentage Interest of the General Partner in such class of Partnership Interests on such date, and (b) otherwise, the aggregate Value of such class of Partnership Interests determined as set forth in the fourth and fifth sentences of the definition of Value.

"Depreciation" means, for each fiscal year, an amount equal to the federal income tax depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such year, except that if the Carrying Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount which bears the same ratio to such

beginning Carrying Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such year bears to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization, or other cost recovery deduction for such year is zero, Depreciation shall be determined with reference to such beginning Carrying Value using any reasonable method selected by the General Partner.

"866 U.N. Plaza Associates" means 866 United Nations Plaza Associates LLC, a New York limited liability company.

"866 U.N. Plaza Property" has the meaning set forth in Section 7.11.C hereof.

"866 U.N. Plaza Units" has the meaning set forth in Section 7.11.C hereof.

"Effective Date" means the date of the closing of the Consolidation.

"Eleven Penn Partnerships" means M/F Associates, a New York limited partnership, M/F Eleven Associates, a New York limited partnership, M/S Associates, a New York limited partnership, and M/S Eleven Associates, a New York limited partnership.

"Eleven Penn Plaza Property" has the meaning set forth in Section 7.11.C hereof.

"Eleven Penn Plaza Units" has the meaning set forth in Section 7.11.C hereof.

"Equity Merger" has the meaning set forth in Section 7.11.D hereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchanged Property" has the meaning set forth in Section 7.11.C hereof.

"Funding Debt" means the incurrence of any Debt by or on behalf of the General Partner for the purpose of providing funds to the Partnership.

"Funds From Operations" shall mean, with respect to any period, the General Partner's "funds from operations," calculated in a manner consistent with the calculation of such measure as it is used in the General Partner's consolidated financial statements appearing in its most recent public filing on Form 10-K or Form 10-Q (whichever is more recent).

"FW/Mendik LLC" means FW/Mendik REIT, L.L.C., a Delaware limited liability company.

"General Partner" means Vornado Realty Trust, a Maryland real estate investment trust, or its successors as general partner of the Partnership.

"General Partner Entity" means the General Partner; provided, however, that if (i) the common shares of beneficial interest (or other comparable equity interests) of the General Partner are at any time not Publicly Traded and (ii) the shares of common stock (or other comparable equity interests) of an entity that owns, directly or indirectly, fifty percent (50%) or more of the common shares of beneficial interest (or other comparable equity interests) of the General Partner are Publicly Traded, the term "General Partner Entity" shall refer to such entity whose shares of common stock (or other comparable equity securities) are Publicly Traded. If both

requirements set forth in clauses (i) and (ii) above are not satisfied, then the term "General Partner Entity" shall mean the General Partner.

"General Partner Payment" has the meaning set forth in Section 15.14 hereof.

"General Partnership Interest" means a Partnership Interest held by the General Partner that is a general partnership interest. A General Partnership Interest may be expressed as a number of Partnership Units.

"Immediate Family" means, with respect to any natural Person, such natural Person's spouse, parents, descendants, nephews, nieces, brothers and sisters.

"Incapacity" or "Incapacitated" means, (i) as to any individual Partner, death, total physical disability or entry by a court of competent jurisdiction adjudicating such Partner incompetent to manage his or her Person or estate, (ii) as to any corporation which is a Partner, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter, (iii) as to any partnership which is a Partner, the dissolution and commencement of winding up of the partnership, (iv) as to any estate which is a Partner, the distribution by the fiduciary of the estate's entire interest in the Partnership, (v) as to any trustee of a trust which is a Partner, the termination of the trust (but not the substitution of a new trustee) or (vi) as to any Partner, the Bankruptcy of such Partner.

"Indemnitee" means (i) any Person made a party to a proceeding or threatened with being made a party to a proceeding by reason of its status as (A) the General Partner, (B) a Limited Partner or (C) an officer of the Partnership (or any Subsidiary or other entity in which the Partnership owns an equity interest) or a trustee/director, officer or shareholder of the General Partner or the General Partner Entity (or any Subsidiary or other entity in which the General Partner owns an equity interest (so long as the General Partner's ownership of an interest in such entity is not prohibited by Section 7.5.A) or for which the General Partner, acting on behalf of the Partnership, requests the trustee/director, officer or shareholder to serve as a director, officer, trustee or agent, including serving as a trustee of an employee benefit plan) and (ii) such other Persons (including Affiliates of the General Partner, a Limited Partner or the Partnership) as the General Partner may designate from time to time (whether before or after the event giving rise to potential liability), in its sole and absolute discretion.

"IRS" means the Internal Revenue Service, which administers the internal revenue laws of the United States.

"Limited Partner" means any Person named as a Limited Partner in Exhibit A attached hereto, as such Exhibit may be amended and restated from time to time, or any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a Limited Partner in the Partnership.

"Limited Partnership Interest" means a Partnership Interest of a Limited Partner in the Partnership representing a fractional part of the Partnership Interests of all Limited Partners and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Limited Partnership Interest may be expressed as a number of Partnership Units.

"Liquidating Event" has the meaning set forth in Section 13.1 hereof.

"Liquidating Transaction" has the meaning set forth in Section 7.11.C hereof.

"Liquidator" has the meaning set forth in Section 13.2.A hereof.

"Majority in Interest" means Partners (excluding the General Partner) who hold more than fifty percent (50%) of the outstanding Percentage Interests not held by the General Partner.

"Mendik Owner" means, with respect to Bernard H. Mendik or David R. Greenbaum, as applicable, any member of his Immediate Family and any trust formed solely for the benefit of him and/or members of his Immediate Family, or any partnership, limited liability company, joint venture, corporation or other business entity all of the interests in which are, and remain, owned and controlled solely by him and/or members of his Immediate Family.

"Net Income" means, for any taxable period, the excess, if any, of the Partnership's items of income and gain for such taxable period over the Partnership's items of loss and deduction for such taxable period. The items included in the calculation of Net Income shall be determined in accordance with Exhibit B hereto. If an item of income, gain, loss or deduction that has been included in the initial computation of Net Income is subjected to the special allocation rules in Exhibit C hereto, Net Income or the resulting Net Loss, whichever the case may be, shall be recomputed without regard to such item.

"Net Loss" means, for any taxable period, the excess, if any, of the Partnership's items of loss and deduction for such taxable period over the Partnership's items of income and gain for such taxable period. The items included in the calculation of Net Loss shall be determined in accordance with Exhibit B. If an item of income, gain, loss or deduction that has been included in the initial computation of Net Loss is subjected to the special allocation rules in Exhibit C hereto, Net Loss or the resulting Net Income, whichever the case may be, shall be recomputed without regard to such item.

"New Securities" means (i) any rights, options, warrants or convertible or exchangeable securities having the right to subscribe for or purchase shares of beneficial interest (or other comparable equity interest) of the General Partner, excluding grants under any Stock Option Plan, or (ii) any Debt issued by the General Partner that provides any of the rights described in clause (i).

"Non-Class D/E Units" has the meaning set forth in Section 5.1(B)(vii).

"Nonrecourse Built-in Gain" means, with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or negative pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Section 2.B of Exhibit C hereto if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(b)(1), and the amount of Nonrecourse Deductions for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(c).

"Nonrecourse Liability" has the meaning set forth in Regulations Section 1.752-1(a)(2).

"Notice of Redemption" means a Notice of Redemption substantially in the form of Exhibit D attached hereto.

"Partner" means the General Partner or a Limited Partner, and "Partners" means the General Partner and the Limited Partners.

"Partner Minimum Gain" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

"Partner Nonrecourse Debt" has the meaning set forth in Regulations Section 1.704-2(b)(4).

"Partner Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(i)(2), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

"Partnership" means the limited partnership formed under the Act and continued upon the terms and conditions set forth in this Agreement, and any successor thereto.

"Partnership Interest" means a Limited Partnership Interest or the General Partnership Interest, as the context requires, and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Partnership Interest may be expressed as a number of Partnership Units.

"Partnership Minimum Gain" has the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"Partnership Record Date" means the record date established by the General Partner either (i) for the making of any distribution pursuant to Section 5.1 hereof, which record date shall be the same as the record date established by the General Partner Entity for a distribution to its shareholders of some or all of its portion of such distribution received by the General Partner if the shares of common stock (or comparable equity interests) of the General Partner Entity are Publicly Traded, or (ii) if applicable, for determining the Partners entitled to vote on or consent to any proposed action for which the consent or approval of the Partners is sought pursuant to Section 14.2 hereof.

"Partnership Unit" means a fractional, undivided share of the Partnership Interests of all Partners issued pursuant to Sections 4.1 and 4.2 hereof, and includes Class A Units, Class B Units, Class C Units, Class D Units, Class E Units and any other classes or series of Partnership Units established after the date hereof. The number of Partnership Units outstanding and the Percentage Interests in the Partnership represented by such Partnership Units are set forth in Exhibit A hereto, as such Exhibit may be amended and restated from time to time. The ownership of Partnership Units may be evidenced by a certificate in a form approved by the General Partner.

"Partnership Year" means the fiscal year of the Partnership.

"Percentage Interest" means, as to a Partner holding a Partnership Interest of any class issued hereunder, its interest in such class, determined by dividing the Partnership Units of such class owned by such Partner by the total number of Partnership Units of such class then outstanding as specified in Exhibit A attached hereto, as such exhibit may be amended and restated from time to time, multiplied by the aggregate Percentage Interest allocable to such class of Partnership Interests. For such time or times as the Partnership shall at any time have outstanding more than one class of Partnership Interests, the Percentage Interest attributable to each class of Partnership Interests shall be determined as set forth in Section 4.2.B hereof.

"Person" means a natural person, partnership (whether general or limited), trust, estate, association, corporation, limited liability company, unincorporated organization, custodian, nominee or any other individual or entity in its own or any representative capacity.

"Predecessor Entity" has the meaning set forth in the definition of "Conversion Factor" herein.

"Preference Units" has the meaning set forth in Section 4.2.E.

"Publicly Traded" means listed or admitted to trading on the New York Stock Exchange, the American Stock Exchange or another national securities exchange or designated for quotation on the NASDAQ National Market, or any successor to any of the foregoing.

"Qualified REIT Subsidiary" means any Subsidiary of the General Partner that is a "qualified REIT subsidiary" within the meaning Section 856(i) of the Code. Except as otherwise specifically provided herein, a Qualified REIT Subsidiary of the General Partner that holds as its only assets direct and/or indirect interests in the Partnership will not be treated as an entity separate from the General Partner.

"Recapture Income" means any gain recognized by the Partnership (computed without regard to any adjustment required by Section 743 of the Code) upon the disposition of any property or asset of the Partnership, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"Redeeming Partner" has the meaning set forth in Section 8.6.A hereof.

"Redemption Amount" means either the Cash Amount or the Shares Amount, as determined by the General Partner in its sole and absolute discretion; provided that in the event that the Shares are not Publicly Traded at the time a Redeeming Partner exercises its Redemption Right, the Redemption Amount shall be paid only in the form of the Cash Amount unless the Redeeming Partner, in its sole and absolute discretion, consents to payment of the Redemption Amount in the form of the Shares Amount; provided further, the foregoing is subject to Section 8.6.A(iv). A Redeeming Partner shall have no right, without the General Partner's consent, in its sole and absolute discretion, to receive the Redemption Amount in the form of the Shares Amount.

"Redemption Right" has the meaning set forth in Section 8.6.A hereof.

"Regulations" means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"REIT" means a real estate investment trust under Section 856 of the Code.

"REIT Expenses" shall mean (i) costs and expenses relating to the continuity of existence of the General Partner and any Person in which the General Partner owns an equity interest, to the extent not prohibited by Section 7.5.A (and excluding expenses relating to any Person in which the General Partner acquired an interest with the Consent of the Outside Limited Partners, unless the Consent of the Outside Limited Partners has been obtained to include such expenses within the definition of "REIT Expenses"), other than the Partnership (which Persons shall, for purposes of this definition, be included within the definition of "General Partner"), including taxes, fees and assessments associated therewith (other than federal, state or local income taxes imposed upon the General Partner as a result of the General Partner's failure to distribute to its shareholders an amount equal to its taxable income), any and all costs, expenses or fees payable to any trustee or director of the General Partner or such Persons, (ii) costs and expenses relating to any offer or registration of securities by the General Partner (the proceeds of which will be contributed or advanced to the Partnership) and all statements, reports, fees and expenses incidental thereto, including underwriting discounts and selling commissions applicable to any such offer of securities, (iii) costs and expenses associated with the preparation and filing of any periodic reports by the General Partner under federal, state or local laws or regulations, including filings with the SEC, (iv) costs and expenses associated with compliance by the General Partner with laws, rules and regulations promulgated by any regulatory body, including the Securities and Exchange Commission, and (v) all other operating or administrative costs of the General Partner incurred in the ordinary course of its business; provided, however, that any of the

foregoing expenses that are determined by the General Partner to be expenses relating to the ownership and operation of, or for the benefit of, the Partnership shall be treated, subject to Section 7.4.E hereof, as reimbursable expenses under Section 7.4.B hereof rather than as "REIT Expenses".

"REIT Requirements" has the meaning set forth in Section 5.1.A hereof.

"Replacement Property" has the meaning set forth in Section 7.11.C hereof.

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 2.B.1(a) or 2.B.2(a) of Exhibit C hereto to eliminate Book-Tax Disparities.

"Restricted Partner" means any of FW/Mendik LLC, Bernard H. Mendik, David R. Greenbaum, any Mendik Owner and any other Person identified on Exhibit F hereto.

"Safe Harbors" has the meaning set forth in Section 11.6.F hereof.

"Securities Act" means the Securities Act of 1933, as amended.

"704(c) Value" of any Contributed Property means the fair market value of such property at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt. Subject to Exhibit B hereto, the General Partner shall, in its sole and absolute discretion, use such method as it deems reasonable and appropriate to allocate the aggregate of the 704(c) Values of Contributed Properties in a single or integrated transaction among each separate property on a basis proportional to their fair market values. The 704(c) Values of the Contributed Properties contributed to the Partnership as part of or in connection with the Consolidation are set forth on Exhibit E attached hereto.

"Share" means a share of beneficial interest (or other comparable equity interest) of the General Partner Entity. Shares may be issued in one or more classes or series in accordance with the terms of the Declaration of Trust (or, if the General Partner is not the General Partner Entity, the organizational documents of the General Partner Entity). In the event that there is more than one class or series of Shares, the term "Shares" shall, as the context requires, be deemed to refer to the class or series of Shares that correspond to the class or series of Partnership Interests for which the reference to Shares is made. When used with reference to Class A Units, Class C Units, Class D Units or Class E Units, the term "Shares" refers to common shares of beneficial interest (or other comparable equity interest) of the General Partner Entity.

"Shares Amount" means a number of Shares equal to the product of the number of Partnership Units offered for redemption by a Redeeming Partner times the Conversion Factor; provided, that in the event the General Partner Entity issues to all holders of Shares rights, options, warrants or convertible or exchangeable securities entitling such holders to subscribe for or purchase Shares or any other securities or property (collectively, the "rights"), then the Shares Amount shall also include such rights that a holder of that number of Shares would be entitled to receive; and provided, further, that the Shares Amount shall be adjusted pursuant to Section 7.5 hereof in the event that the General Partner acquires material assets other than on behalf of the Partnership.

"Specified Redemption Date" means the tenth Business Day after receipt by the General Partner of a Notice of Redemption; provided, that if the Shares are not Publicly Traded, the Specified Redemption Date means the thirtieth Business Day after receipt by the General Partner of a Notice of Redemption.

"Stock Option Plan" means any share or stock incentive plan or similar compensation arrangement (including, without limitation, any arrangement whereby the Partnership or the General Partner delivers Units or shares of capital stock of the General Partner into a "rabbi trust") of the General Partner, the Partnership or any Affiliate of the Partnership or the General Partner, as the context may require.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership or joint venture, or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by such Person.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 11.4 hereof.

"Successor Entity" has the meaning set forth in the definition of "Conversion Factor" herein.

"Successor Partnership" has the meaning set forth in Section 7.11.C hereof.

"Tenant" means any tenant from which the General Partner derives rent, either directly or indirectly through limited liability companies or partnerships, including the Partnership, or through any Qualified REIT Subsidiary.

"Terminating Capital Transaction" means any sale or other disposition of all or substantially all of the assets of the Partnership for cash or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership for cash.

"Termination Transaction" has the meaning set forth in Section 11.2.B hereof.

"Title 8" means Title 8 of the Corporations and Associations Article of the Annotated Code of Maryland.

"Transferred Property" has the meaning set forth in Section 7.11.C. hereof.

"Two Penn Plaza Associates" means Two Penn Plaza Associates, L.P., a New York limited partnership.

"Two Penn Plaza Property" has the meaning set forth in Section 7.11.C hereof.

"Two Penn Plaza Units" has the meaning set forth in Section 7.11.C hereof.

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (i) the fair market value of such property (as determined under Exhibit B hereto) as of such date, over (ii) the Carrying Value of such property (prior to any adjustment to be made pursuant to Exhibit B hereto) as of such date.

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (i) the Carrying Value of such property (prior to any adjustment to be made pursuant to Exhibit B hereto) as of such date, over (ii) the fair market value of such property (as determined under Exhibit B hereto) as of such date.

"Valuation Date" means the date of receipt by the General Partner of a Notice of Redemption or, if such date is not a Business Day, the first Business Day thereafter.

"Value" means, with respect to any outstanding Shares of the General Partner Entity that are Publicly Traded, the average of the daily market price for the ten (10) consecutive trading days immediately preceding the date with respect to which value must be determined or, if such day is not a Business Day, the immediately preceding Business Day. The market price for each such trading day shall be the closing price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day. In the event that the outstanding Shares of the General Partner Entity are Publicly Traded and the Shares Amount includes rights that a holder of Shares would be entitled to receive, then the Value of such rights shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate. In the event that the Shares of the General Partner Entity are not Publicly Traded, the Value of the Shares Amount per Partnership Unit offered for redemption (which will be the Cash Amount per Partnership Unit offered for redemption payable pursuant to Section 8.6.A hereof) means the amount that a holder of one Partnership Unit would receive if each of the assets of the Partnership were to be sold for its fair market value on the Specified Redemption Date, the Partnership were to pay all of its outstanding liabilities, and the remaining proceeds were to be distributed to the Partners in accordance with the terms of this Agreement. Such Value shall be determined by the General Partner, acting in good faith and based upon a commercially reasonable estimate of the amount that would be realized by the Partnership if each asset of the Partnership (and each asset of each partnership, limited liability company, joint venture or other entity in which the Partnership owns a direct or indirect interest) were sold to an unrelated purchaser in an arms' length transaction where neither the purchaser nor the seller were under economic compulsion to enter into the transaction (without regard to any discount in value as a result of the Partnership's minority interest in any property or any illiquidity of the Partnership's interest in any property). In connection with determining the Deemed Value of the Partnership Interest for purposes of determining the number of additional Partnership Units issuable upon a Capital Contribution funded by an underwritten public offering of shares of beneficial interest (or other comparable equity interest) of the General Partner, the Value of such shares shall be the public offering price per share of such class of beneficial interest (or other comparable equity interest) sold.

"Vornado Sub" means Vornado/Saddle Brook L.L.C., a Delaware limited liability company and a wholly-owned subsidiary of the General Partner.

ARTICLE II
ORGANIZATIONAL MATTERS

Section 2.1 Organization

The Partnership is a limited partnership organized pursuant to the provisions of the Act and upon the terms and conditions set forth in the Prior Agreement. The Partners hereby continue the Partnership and amend and restate the Prior Agreement in its entirety. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

Section 2.2 Name

The name of the Partnership is Vornado Realty L.P. The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the

Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

Section 2.3 Registered Office and Agent; Principal Office

The address of the registered office of the Partnership in the State of Delaware shall be located at Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be Corporation Trust Company. The principal office of the Partnership shall be Vornado Realty L.P., Park 80 West, Plaza II, Saddle Brook, New Jersey 07663, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems advisable.

Section 2.4 Term

The term of the Partnership commenced on October 2, 1996, the date on which the Certificate was filed in the office of the Secretary of State of the State of Delaware in accordance with the Act, and shall continue until December 31, 2095 (as such date may be extended by the General Partner in its sole discretion), unless it is dissolved sooner pursuant to the provisions of Article XIII hereof or as otherwise provided by law.

ARTICLE III
PURPOSE

Section 3.1 Purpose and Business

The purpose and nature of the business to be conducted by the Partnership is (i) to conduct any business that may be lawfully conducted by a limited partnership organized pursuant to the Act; provided, however, that such business shall be limited to and conducted in such a manner as to permit the General Partner Entity (or the General Partner, as applicable) at all times to be classified as a REIT and avoid the imposition of federal income and excise taxes on the General Partner Entity (or the General Partner, as applicable), unless the General Partner Entity (or the General Partner, as applicable) ceases to qualify, or is not qualified, as a REIT for any reason or reasons; (ii) to enter into any partnership, joint venture, limited liability company or other similar arrangement to engage in any of the foregoing or the ownership of interests in any entity engaged, directly or indirectly, in any of the foregoing; and (iii) to do anything necessary or incidental to the foregoing. In connection with the foregoing, the Limited Partners acknowledge that the status of the General Partner Entity (or the General Partner, as applicable) as a REIT and the avoidance of federal income and excise taxes on the General Partner Entity (or the General Partner, as applicable) inures to the benefit of all the Partners and not solely the General Partner or its Affiliates. Notwithstanding the foregoing, the Limited Partners acknowledge and agree that the General Partner Entity (or the General Partner, as applicable) may terminate its status as a REIT under the Code at any time to the full extent permitted under the Declaration of Trust.

Section 3.2 Powers

The Partnership shall have full power and authority to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership, including, without limitation, directly or through its ownership interest in other entities, to enter into, perform and carry out contracts of any kind, borrow money and issue evidences of indebtedness whether or not secured by mortgage, deed of trust, pledge or other lien, acquire, own, manage, improve and develop real property, and lease, sell, transfer and

dispose of real property; provided, however, that the Partnership shall not take, or refrain from taking, any action which, in the judgment of the General Partner, in its sole and absolute discretion, (i) could adversely affect the ability of the General Partner Entity (or the General Partner, as applicable) to continue to qualify as a REIT, (ii) could subject the General Partner Entity (or the General Partner, as applicable) to any additional taxes under Section 857 or Section 4981 of the Code or (iii) could violate any law or regulation of any governmental body or agency having jurisdiction over the General Partner Entity (or the General Partner, if different) or its securities, unless such action (or inaction) shall have been specifically consented to by the General Partner in writing.

Section 3.3 Partnership Only for Purposes Specified

The Partnership shall be a partnership only for the purposes specified in Section 3.1 above, and this Agreement shall not be deemed to create a partnership among the Partners with respect to any activities whatsoever other than the activities within the purposes of the Partnership as specified in Section 3.1 above.

ARTICLE IV
CAPITAL CONTRIBUTIONS AND ISSUANCES OF PARTNERSHIP INTERESTS

Section 4.1 Capital Contributions of the Partners

A. Capital Contributions to the Partnership on the Effective Date. The Mendik Company, Inc. and FW/Mendik LLC previously made Capital Contributions to the Partnership. Immediately prior to the Effective Date, the Partnership was recapitalized and FW/Mendik LLC was issued [_____] Class D Units as the sole Limited Partner of the Partnership and The Mendik Company, Inc. was issued 1,000 Class D Units as the then general partner of the Partnership, which Units will be subject to Section 4.2.D(iii). On the Effective Date, the General Partner and certain other Persons will make additional Capital Contributions to the Partnership in connection with the Consolidation. On the Effective Date, the General Partner will be admitted to the Partnership as a substituted General Partner, and the General Partnership Interest held by The Mendik Company, Inc. will be converted into a Limited Partnership Interest. Thereafter, the General Partner will complete Exhibit A hereto to reflect the Capital Contributions made by each Partner, the number of Partnership Units (by class) held by each Partner and the Percentage Interest in the Partnership represented by such Partnership Units. The Capital Accounts of the Partners and the Carrying Values of the Partnership's Assets shall be determined as of the Effective Date pursuant to Section I.D of Exhibit B hereto to reflect the Capital Contributions made prior to and on the Effective Date.

B. General Partnership Interest. A number of Partnership Units held by the General Partner equal to one percent (1%) of all outstanding Partnership Units shall be deemed to be the General Partner Partnership Units and shall be the General Partnership Interest. All other Partnership Units held by the General Partner shall be Limited Partnership Interests and shall be held by the General Partner in its capacity as a Limited Partner in the Partnership.

C. Capital Contributions By Merger. To the extent the Partnership acquires any property by the merger of any other Person into the Partnership, Persons who receive Partnership Interests in exchange for their interests in the Person merging into the Partnership shall become Partners and shall be deemed to have made Capital Contributions as provided in the applicable merger agreement and as set forth in Exhibit A hereto.

D. No Obligation to Make Additional Capital Contributions. Except as provided in Sections 7.5 and 10.5 hereof, the Partners shall have no obligation to make any additional Capital Contributions

or provide any additional funding to the Partnership (whether in the form of loans, repayments of loans or otherwise). No Partner shall have any obligation to restore any deficit that may exist in its Capital Account, either upon a liquidation of the Partnership or otherwise.

Section 4.2 Issuances of Partnership Interests

A. General. The General Partner is hereby authorized to cause the Partnership from time to time to issue to Partners (including the General Partner and its Affiliates) or other Persons (including, without limitation, in connection with the contribution of property to the Partnership) Partnership Units or other Partnership Interests in one or more classes, or in one or more series of any of such classes, with such designations, preferences and relative, participating, optional or other special rights, powers and duties, including rights, powers and duties senior to Limited Partnership Interests, all as shall be determined, subject to applicable Delaware law, by the General Partner in its sole and absolute discretion, including, without limitation, (i) the allocations of items of Partnership income, gain, loss, deduction and credit to each such class or series of Partnership Interests, (ii) the right of each such class or series of Partnership Interests to share in Partnership distributions and (iii) the rights of each such class or series of Partnership Interests upon dissolution and liquidation of the Partnership; provided that, no such Partnership Units or other Partnership Interests shall be issued (x) to the General Partner unless either (a) the Partnership Interests are issued in connection with the grant, award or issuance of Shares or other equity interests in the General Partner having designations, preferences and other rights such that the economic interests attributable to such Shares or other equity interests are substantially similar to the designations, preferences and other rights (except voting rights) of the additional Partnership Interests issued to the General Partner in accordance with this Section 4.2.A, or (b) the Partnership Interests are issued to all Partners holding Partnership Interests in the same class in proportion to their respective Percentage Interests in such class or (c) the Partnership Interests are issued in connection with a Termination Transaction or a transaction in which another person is merged, combined or consolidated with or into the General Partner and in exchange for the transfer or contribution of all or substantially all of the assets of such other person by the General Partner to the Partnership, or (y) to any Person in violation of Section 4.2.E. In the event that the Partnership issues Partnership Interests pursuant to this Section 4.2.A, the General Partner shall make such revisions to this Agreement (including but not limited to the revisions described in Section 5.4, Section 6.2 and Section 8.6 hereof) as it deems necessary to reflect the issuance of such additional Partnership Interests.

B. Percentage Interest Adjustments in the Case of Capital Contributions for Partnership Units. Upon the acceptance of additional Capital Contributions in exchange for Partnership Units, the Percentage Interest related thereto shall be equal to a fraction, the numerator of which is equal to the amount of cash, if any, plus the Agreed Value of Contributed Property, if any, contributed with respect to such additional Partnership Units and the denominator of which is equal to the sum of (i) the Deemed Value of the Partnership Interests for all outstanding classes (computed as of the Business Day immediately preceding the date on which the additional Capital Contributions are made (such contribution date being referred to as an "Adjustment Date")) plus (ii) the aggregate amount of additional Capital Contributions contributed to the Partnership on such Adjustment Date in respect of such additional Partnership Units. The Percentage Interest of each other Partner holding Partnership Interests not making a full pro rata Capital Contribution shall be adjusted to a fraction the numerator of which is equal to the sum of (i) the Deemed Partnership Interest Value of such Limited Partner (computed as of the Business Day immediately preceding the Adjustment Date) plus (ii) the amount of additional Capital Contributions (such amount being equal to the amount of cash, if any, plus the Agreed Value of Contributed Property, if any, so contributed), if any, made by such Partner to the Partnership in respect of such Partnership Interest as of such Adjustment Date and the denominator of which is equal to the sum of (i) the Deemed Value of the Partnership Interests of all outstanding classes (computed as of the Business Day immediately preceding such Adjustment Date) plus (ii) the aggregate amount of the additional Capital Contributions contributed to the Partnership on such Adjustment Date in respect of such additional Partnership Interests. For purposes of calculating a Partner's Percentage Interest pursuant to this Section 4.2.B, cash Capital Contributions by the General Partner will be

deemed to equal the cash contributed by the General Partner plus (a) in the case of cash contributions funded by an offering of any equity interests in or other securities of the General Partner, the offering costs attributable to the cash contributed to the Partnership, and (b) in the case of Partnership Units issued pursuant to Section 7.5.E hereof, an amount equal to the difference between the Value of the Shares sold pursuant to any Stock Option Plan and the net proceeds of such sale.

C. Classes of Partnership Units. From and after the Effective Date, subject to Section 4.2.A above, the Partnership shall have four classes of Partnership Units entitled "Class A Units", "Class B Units", "Class C Units", "Class D Units" and "Class E Units" which shall be issued to the Partners in connection with the Consolidation as set forth below:

(i) the General Partner will receive Class A Units in respect of its General Partnership Interest and its Limited Partnership Interest;

(ii) initially, no Class B Units will be issued to any Partner;

(iii) as specified on Exhibit A, certain Persons will receive Class C Units, certain Persons will receive Class D Units and certain Persons will receive Class E Units in respect of their Limited Partnership Interests.

The General Partner may, in its sole and absolute discretion but subject to Section 4.2.E, issue to newly admitted Partners Class A Units, Class B Units, Class C Units, Class D Units, Class E Units or Partnership Units of any other class established by the Partnership in accordance with Section 4.2.A (subject to Section 4.2.E below) in exchange for the contribution by such Partners of cash, real estate partnership interests, stock, notes or any other assets or consideration; provided that any Partnership Unit that is not specifically designated by the General Partner as being of a particular class shall be deemed to be a Class A Unit unless the context clearly requires otherwise.

D. Conversion of Class C Units, Class D Units and Class E Units.

(i) At such time as all holders of Class A Units have received quarterly distributions in accordance with Article V equal to $.845 per Partnership Unit for each of four consecutive quarters (without including for these purposes distributions, if any, made to holders of Class A Units pursuant to Subsections 4.2.D(i) and 4.2.D(ii)), the Class C Units will be converted automatically into Class A Units and thereafter will have the same distribution rights as all other Class A Units. The foregoing conversion will be deemed to have occurred as of the first day of the quarter immediately succeeding the fourth consecutive quarter with respect to which the distributions described in the preceding sentence are made.

At any time prior to the first distribution made in respect of Partnership Units that were converted from Class C Units to Class A Units pursuant to this Subsection 4.2.D(i), the General Partner may, in its sole discretion but subject to Section 5.2.B, elect to make a one-time distribution of the Class C Accumulated Amount, calculated as of the date of such distribution, pro rata among those Persons who hold Class A Units; provided, however, that the foregoing distribution right shall only be available if during each of the preceding four (4) consecutive fiscal quarters the Partnership has earned Funds From Operations sufficient to enable the Partnership to distribute to holders of Class A Units on a per Partnership Unit basis (assuming a 100% payout of Funds From Operations) at least $0.845 per Partnership Unit (which payment must be made in a quarter prior to the quarter in which Class C Units are converted to Class A Units pursuant to the preceding paragraph). For purposes hereof, the "Class C Accumulated Amount" means, as of any date the lesser of (A) $1,500,000.00 and (B)(x)the sum of all amounts previously distributed to holders of Class C Units pursuant to Subsections 5.1.B(iv) and 5.1.B(v) during the most recently completed twelve (12) consecutive fiscal quarters less (y) the sum of all amounts previously distributed to holders of Class A Units (excluding Class A Units that were converted from

Class C Units prior to such distribution) during such period pursuant to Subsection 5.1.B(vi) but not Subsection 5.1.B(vii); provided that the Class C Accumulated Amount shall not exceed the Partnership's aggregate Funds From Operations for such twelve quarter period less (without duplication) the distributions pursuant to Subsections 5.1(B)(i) through (vi).

(ii) At such time as all holders of Class A Units have received quarterly distributions in accordance with Article V in an amount at least equal to $1.0075 per Partnership Unit for each of four consecutive quarters (without including for these purposes distributions, if any, made to holders of Class A Units pursuant to Subsections 4.2.D(i) and 4.2.D(ii)), the Class D Units and the Class E Units, if any, will be converted automatically into Class A Units and thereafter will have the same distribution rights as all other Class A Units. The foregoing conversion will be deemed to have occurred as of the first day of the quarter immediately succeeding the fourth consecutive quarter with respect to which the distributions described in the preceding sentence are made.

At any time prior to the first distribution made in respect of Partnership Units that were converted from Class D Units or Class E Units to Class A Units pursuant to this Subsection 5.1.D(ii), the General Partner may, in its sole discretion but subject to Section 5.2.B, elect to make a one time distribution of the Class D/E Accumulated Amount, calculated as of the date of such distribution, pro rata among those Persons who hold Class A Units; provided, however, that the foregoing distribution right shall only be available if during each of the preceding four (4) consecutive fiscal quarters the Partnership has earned Funds From Operations sufficient to enable the Partnership to distribute to holders of Class A Units on a per Partnership Unit basis (assuming a 100% payout of Funds From Operations) at least $1.0075 per Partnership Unit. For purposes hereof, the "Class D/E Accumulated Amount" means, as of any date the lesser of (A) $1,500,000 less any amount distributed pursuant to Subsection 4.2.D(i) above and (B) (x) the sum of all amounts previously distributed to holders of Class D Units and Class E Units pursuant to Subsections 5.1.B(ii) and (iii) during the most recently completed twelve (12) consecutive fiscal quarters less (y) the sum of all amounts previously distributed to holders of Class A Units (excluding Class A Units that were converted from Class D Units or Class E Units prior to or during such period, if any) during such period pursuant to Subsections 5.1.B(vi) and (vii) during such period and less the Class C Accumulated Amount distributed previously or contemporaneously therewith, provided that the maximum amount of the Class D/E Accumulated Amount shall not exceed the Partnership's Funds From Operations less (without duplication) distributions pursuant to Subsections 5.1.B(i) through (vii).

(iii) Immediately after the time on the Effective Date at which this Agreement becomes effective, every Class D Unit held by any of Mr. Mendik, Mr. Greenbaum or any Mendik Owner with respect to either such individual shall automatically, and without any further payment or action of any kind by any Person, be converted into Class C Units and thereafter shall have all of the same distribution rights as any other Class C Unit, and the General Partner shall reflect said conversion on Exhibit A.*

E. Limitation on the Issuance of Partnership Units. The General Partner may not, without the Consent of the Outside Limited Partners (taking into account, for these purposes, only those Limited Partnership Interests being issued concurrently herewith as part of the Consolidation), cause the Partnership to issue any Limited Partnership Interests of any class ranking senior (as to distributions or redemption or voting rights) to the Class C Units, the Class D Units or the Class E Units ("Preference Units") unless the distribution and redemption (but not voting) rights of such Partnership Units are substantially similar to the terms of securities issued by the General Partner and the proceeds or other consideration from the issuance of such securities have been contributed to the Partnership. The foregoing limitation will expire with respect to the Partnership Units

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* In final agreement, total Class D Units covered by this Section will be .

of any such class at such time as the Partnership Units of that class issued in connection with the Consolidation are no longer outstanding, whether as a result of redemption, conversion to another class or otherwise.

Section 4.3 No Preemptive Rights

Except to the extent expressly granted by the General Partner (on behalf of the Partnership) pursuant to another agreement, no Person shall have any preemptive, preferential or other similar right with respect to (i) additional Capital Contributions or loans to the Partnership or (ii) issuance or sale of any Partnership Units or other Partnership Interests.

Section 4.4 Other Contribution Provisions

In the event that any Partner is admitted to the Partnership and is given a Capital Account in exchange for services rendered to the Partnership, such transaction shall be treated by the Partnership and the affected Partner as if the Partnership had compensated such Partner in cash for the fair market value of such services, and the Partner had contributed such cash to the capital of the Partnership.

Section 4.5 No Interest on Capital

No Partner shall be entitled to interest on its Capital Contributions or its Capital Account.

ARTICLE V
DISTRIBUTIONS

Section 5.1 Requirement and Characterization of Distributions

A. General. Subject to Section 5.1.C, the General Partner shall have the exclusive right and authority to declare and cause the Partnership to make distributions as and when the General Partner deems appropriate or desirable in its sole discretion. Notwithstanding anything to the contrary contained herein, in no event may a Partner receive a distribution with respect to a Partnership Unit for a quarter or shorter period if such Partner is entitled to receive a distribution for such quarter or shorter period with respect to a Share for which such Partnership Unit has been redeemed or exchanged. Unless otherwise expressly provided for herein or in an agreement at the time a new class of Partnership Interests is created in accordance with Article IV hereof, no Partnership Interest shall be entitled to a distribution in preference to any other Partnership Interest. For so long as the General Partner elects to qualify as a REIT, the General Partner shall make such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with the qualification of the General Partner Entity or the General Partner (as applicable) as a REIT, to make distributions to the Partners in amounts such that the General Partner will receive amounts sufficient to enable the General Partner Entity or the General Partner (as applicable) to pay shareholder dividends that will (1) satisfy the requirements for qualification as a REIT under the Code and the Regulations (the "REIT Requirements") and (2) avoid any federal income or excise tax liability for the General Partner Entity or the General Partner (as applicable).

B. Method. When, as and if declared by the General Partner, the Partnership will make distributions to the General Partner in any amount necessary to enable the General Partner to pay REIT Expenses, and thereafter:

(i) first, to holders of Preference Units in an amount equal to preferential distributions accumulated and unpaid on such Preference Units in accordance with their terms;

(ii) second, to holders of Class D Units and Class E Units (pro rata based on the ratio of the total number of Class D Units or Class E Units, as applicable, to the aggregate number of Class D Units and Class E Units taken together on the Partnership Record Date) in an amount equal to any accumulated and unpaid Class D/E Preferential Distributions;

(iii) third, to holders of Class D Units and Class E Units (pro rata based on the ratio of the total number of Class D Units or Class E Units, as applicable, to the aggregate number of Class D Units and Class E Units taken together on the Partnership Record Date) until such holders have received with respect to the quarter for which such distribution is made an amount per Class D Unit and Class E Unit, respectively, determined based on a distribution rate of $1.0075 per quarter (the "Class D/E Preferential Distribution") pro rated to take into account the actual number of days in such period and the number of days in the period that such Class D Units or

Class E Units, as applicable, were outstanding; provided, however, that if the General Partner does not distribute sufficient cash to pay the Class D/E Preferential Distribution, then the Class D/E Preferential Distribution will cumulate, without interest, and be payable by the Partnership in the future pursuant to clause (ii) above;

(iv) fourth, to holders of Class C Units in an amount equal to any accumulated and unpaid Class C Preferential Distributions;

(v) fifth, to holders of Class C Units until such holders have received with respect to the quarter for which such distribution is made an amount per Class C Unit to be determined based on a distribution rate of $.845 per quarter (the "Class C Preferential Distribution") pro rated to take into account the actual number of days in such period and the number of days in the period that such Class C Units were outstanding; provided, however, that if the General Partner does not distribute sufficient cash to pay the Class C Preferential Distribution, then the Class C Preferential Distribution will cumulate, without interest, and be payable by the Partnership in the future pursuant to clause (iv) above;

(vi) sixth, to the holders of Units other than Class C Units, Class D Units and Class E Units (the "Other Units") until the holders of such Other Units have received with respect to the quarter for which such distribution is made an amount per Partnership Unit equal to the amount that would have been payable to such holders under clause (v) above if the Partnership Units held by them had been Class C Units; provided that with respect to the distribution, if any, for the first quarter or portion thereof ending following the Effective Date, if the Partnership elects to distribute sufficient cash the General Partner shall be entitled to receive a distribution at the foregoing rate for the entire fiscal quarter to which such period relates notwithstanding that the General Partner did not hold Class A Units for the entire quarter;

(vii) seventh, to the holders of Partnership Units other than Class D Units and Class E Units (the "Non-Class D/E Units") until the holders of such Non-Class D/E Units have received with respect to the quarter for which such distribution is made a total amount per Partnership Unit equal (taking into account distributions made to such holders of Non-Class D/E Units with respect to such quarter under clause (v) or clause (vi) above as applicable) equal to the amount paid per Class D Unit at such time pursuant to clause (iii) above; provided that with respect to the distribution for the first quarter or portion thereof ending following the Effective Date, if the Partnership elects to distribute sufficient cash the General Partner shall be entitled to receive a

distribution at the foregoing rate for the entire fiscal quarter to which such period relates notwithstanding that the General Partner did not hold Class A Units for the entire quarter;

(viii) eighth, to holders of Class A Units as described in Subsection 4.2.D(i);

(ix) ninth, to holders of Class A Units as described in Subsection 4.2.D(ii);

(x) tenth, to all holders of Partnership Units (of all classes), pro rata in proportion to their respective Percentage Interest, in an amount sufficient to permit to the General Partner to satisfy the REIT Requirements and to avoid any federal income or excise tax liability for the General Partner Entity (or the General Partner, as applicable);

(xi) eleventh, to the extent of remaining distribution amount, to holders of Partnership Units in proportion to their respective Percentage Interests.

Each holder of Partnership Interests that are entitled to any preference in distribution shall be entitled to a distribution in accordance with the rights of any such class of Partnership Interests (and, within such class, pro rata in proportion to the respective Percentage Interests on such Partnership Record Date).

C. Minimum Distributions if General Partner Not a REIT or Not Publicly Traded. In addition, if the General Partner Entity is not a REIT or the common shares of beneficial interest (or other comparable equity interests) of the General Partner Entity are not Publicly Traded, the General Partner shall use commercially reasonable efforts (including, if appropriate, incurring indebtedness), as determined by the General Partner in its sole discretion exercised in good faith, to make cash distributions pursuant to Section 5.1.B above at least annually for each taxable year of the Partnership beginning prior to the twentieth (20th) anniversary of the Effective Date in an aggregate amount with respect to each such taxable year at least equal to 95% of the Partnership's taxable income for such year other than gain subject to Section 704(c) of the Code allocable to the Class A Units, with such distributions to be made not later than 60 days after the end of such year; provided, the foregoing shall not create any obligation on the part of the General Partner to contribute or loan funds to the Partnership or dispose of assets. Notwithstanding Section 14.1.D.(iv), this Section 5.1.C may be amended with the Consent of Certain Limited Partners.

Section 5.2 Amounts Withheld

All amounts withheld pursuant to the Code or any provisions of any state or local tax law and Section 10.5 hereof with respect to any allocation, payment or distribution to the General Partner, the Limited Partners or Assignees shall be treated as amounts distributed to the General Partner, Limited Partners or Assignees pursuant to Section 5.1 above for all purposes under this Agreement.

Section 5.3 Distributions Upon Liquidation

Proceeds from a Terminating Capital Transaction shall be distributed to the Partners in accordance with Section 13.2 hereof.

Section 5.4 Revisions to Reflect Issuance of Additional Partnership Interests

In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Article IV hereof, the General Partner shall make such revisions to this Article V as it deems necessary to reflect the issuance of such additional Partnership Interests.

ARTICLE VI
ALLOCATIONS

Section 6.1 Allocations For Capital Account Purposes

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Exhibit B hereto) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

A. Net Income. After giving effect to the special allocations set forth in Section 1 of Exhibit C hereto and Section 6.1.E below, Net Income shall be allocated (i) first, to the General Partner to the extent that Net Losses previously allocated to the General Partner pursuant to the last sentence of Section 6.1.B below exceed Net Income previously allocated to the General Partner pursuant to this clause (i) of Section 6.1.A, (ii) second, to holders of Class D Units and Class E Units until their aggregate allocations of Net Income under this clause (ii) equal the sum of (x) the aggregate Net Losses allocated to them under clause (ix) of Section 6.1.B and (ii) all distributions made pursuant to clause (ii) of Section 5.1.B; (iii) third, to holders of Class D Units until their aggregate allocations of Net Income under this clause (iii) equal the sum of (x) the aggregate Net Losses allocated to them under clause (viii) of Section 6.1.B and (y) all distributions made pursuant to clause (iii) of Section 5.1.B with respect to which there was not a corresponding distribution to holders of Units other than Class D Units and Class E Units pursuant to clauses (vi) or (vii) of Section 5.1.B; (iv) fourth, to holders of Class C Units until their aggregate allocations of Net Income under this clause (iv) equal the sum of (x) the aggregate Net Losses allocated to them under clause (vii) of Section 6.1.B and (ii) all distributions made pursuant to clause (iv) of Section 5.1.B; (v) fifth, to holders of Class C Units until their aggregate allocations of Net Income under this clause (v) equal the sum of (x) the aggregate Net Losses allocated to them under clause (vi) of Section 6.1.B and (y) all distributions made pursuant to clause (v) of Section 5.1.B with respect to which there was not a corresponding distribution to holders of Units other than Class C or D Units pursuant to clause (vi) of Section 5.1.B; (vi) sixth, to all holders of Units until the aggregate allocations of Net Income under this clause (vi) equal the sum of (x) aggregate Net Losses allocated under clause (v) of Section 6.1.B, (y) all distributions made pursuant to clauses (vi) or (vii) of Section 5.1.B, and (z) all distributions made pursuant to clauses (iii) or (v) of Section 5.1.B that were not taken into account in clauses (iii) or (v) of this Section 6.1.A as a result of distributions pursuant to clauses (vi) and (vii) of Section 5.1.B; (vii) seventh, to holders of Class A Units until their aggregate allocations of Net Income under this clause (vii) equal the sum of (x) the aggregate Net Losses allocated to them under clause (iv) of Section 6.1.B and (y) all distributions made pursuant to clause (viii) of Section 5.1.B, with such Net Income to be allocated only to those holders of Class A Units who received distributions under said clause (viii); (viii) eighth, to holders of Class A Units until their aggregate allocations of Net Income under this clause (viii) equal the sum of (x) the aggregate Net Losses allocated to them under clause (iii) of Section 6.1.B and (y) all distributions made pursuant to clause (ix) of Section 5.1.B, with such Net Income to be allocated only to those holders of Class A Units who received distributions under said clause (ix) of Section 5.1.B; (ix) ninth, to all holders of Units pro rata in accordance with their Percentage Interests until the aggregate allocations of Net Income under this clause (ix) equal the sum of (x) aggregate Net Losses allocated under clause (ii) of Section 6.1.B and (y) all distributions made pursuant to clause (xi) of Section 5.1.B.; and (x) tenth, to all holders of Units in proportion to their respective Percentage Interests.

B. Net Losses. After giving effect to the special allocations set forth in Section 1 of Exhibit C hereto and Section 6.1.E below, Net Losses shall be allocated (i) first, to all holders of Units in proportion to their respective Percentage Interests until the aggregate allocations of Net Losses pursuant to this clause (i) equal the aggregate amount of allocations of Net Income pursuant to clause (x) of Section 6.1.A; (ii) second, to all holders of Units pro rata in accordance with their Percentage Interests until the aggregate allocations of Net Losses under this clause (ii) equal the aggregate amount of Net Income allocated pursuant to clause (ix)

of Section 6.1.A; (iii) third, to holders of Class A Units until the aggregate allocations of Net Losses pursuant to this clause (iii) equal the aggregate amount of allocations of Net Income pursuant to clause (viii) of Section 6.1.A.; (iv) fourth to holders of Class A Units until the aggregate allocations of Net Losses pursuant to this clause (iii) equal the aggregate amount of allocations of Net Income pursuant to clause (vii) of Section 6.1.A.; (v) fifth, to all holders of Units until the aggregate allocation of Net Losses pursuant to this clause (v) equal the aggregate amount of Net Income allocated pursuant to clause (vi) of Section 6.1.A; (vi) sixth, to holders of Class C Units until the aggregate allocations of Net Losses under this clause (vi) equal the aggregate amount of Net Income allocated pursuant to clause (v) of Section 6.1.A; (vii) seventh, to holders of Class C Units until the aggregate allocations of Net Losses under this clause (vii) equal the aggregate amount of Net Income allocated pursuant to clause (iv) of Section 6.1.A; (viii) eighth, to holders of Class D Units and Class E Units until the aggregate allocations of Net Losses under this clause (viii) equal the aggregate amount of Net Income allocated pursuant to clause (iii) of Section 6.1.A; (ix) ninth, to holders of Class D Units and Class E Units until the aggregate allocations of Net Losses under this clause (ix) equal the aggregate amount of Net Income allocated pursuant to clause (ii) of Section 6.1.A; and (x) thereafter, to holders of all Units in proportion to their Percentage Interests; provided that, Net Losses shall not be allocated to any Limited Partner pursuant to this Section 6.1.B to the extent that such allocation would cause such Limited Partner to have an Adjusted Capital Account Deficit (or increase any existing Adjusted Capital Account Deficit) at the end of such taxable year (or portion thereof). All Net Losses in excess of the limitations set forth in this Section 6.1.B shall be allocated to the General Partner.

C. Allocation of Nonrecourse Debt. For purposes of Regulations Section 1.752-3(a), the Partners agree that Nonrecourse Liabilities of the Partnership in excess of the sum of (i) the amount of Partnership Minimum Gain and (ii) the total amount of Nonrecourse Built-in Gain shall be allocated among the Partners in accordance with their respective Percentage Interests.

D. Recapture Income. Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible after taking into account other required allocations of gain pursuant to Exhibit C hereto, be characterized as Recapture Income in the same proportions and to the same extent as such Partners have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

E. Cancellation of Indebtedness Income. Any cancellation of indebtedness income required to be recognized by the Partnership with respect to the Two Penn Plaza Property in connection with the acquisition of the Two Penn Plaza Property by the Partnership and the restructuring of the outstanding indebtedness with respect thereto shall be allocated solely to holders of Two Penn Plaza Units. In the event that cancellation of indebtedness income is recognized with respect to the property at 330 Madison Avenue as a result of resolving the dispute with the lender under the loan outstanding upon consummation of the Consolidation that is secured by a mortgage on such property, holders of the Partnership Units issued with respect to M 330 Associates, a New York limited partnership, shall be specially allocated cancellation of indebtedness income in an amount equal to their proportionate share of the dollar amount of the discount as a result of the settlement resulting in the recognition of such cancellation of indebtedness income.

Section 6.2 Revisions to Allocations to Reflect Issuance of Additional Partnership Interests

In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Article IV hereof, the General Partner shall make such revisions to this Article VI as it deems necessary to reflect the terms of the issuance of such additional Partnership Interests, including making preferential allocations to classes of Partnership Interests that are entitled thereto.

ARTICLE VII
MANAGEMENT AND OPERATIONS OF BUSINESS

Section 7.1 Management

A. Powers of General Partner. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership are and shall be exclusively vested in the General Partner, and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership. The General Partner may not be removed by the Limited Partners with or without cause. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Sections 7.6.A, 7.6.D and 7.11 below, shall have full power and authority to do all things deemed necessary or desirable by it, on such terms and conditions as the General Partner in its sole discretion deems appropriate, to conduct the business of the Partnership, to exercise all powers set forth in Section 3.2 hereof and to effectuate the purposes set forth in Section 3.1 hereof, including, without limitation:

(1) the making of any expenditures, the lending, subject to Section 7.6.D, or borrowing of money (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to its Partners in such amounts as are required under Section 5.1.C hereof or will permit the General Partner Entity or the General Partner (as applicable) (as long as the General Partner Entity or the General Partner qualifies as a REIT) to avoid the payment of any federal income tax (including, for this purpose, any excise tax pursuant to Section 4981 of the Code) and to make distributions to its shareholders sufficient to permit the General Partner Entity or the General Partner (as applicable) to satisfy the REIT Requirements), the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by mortgage, deed of trust or other lien or encumbrance on the Partnership's assets) and the incurring of any obligations the General Partner deems necessary or desirable for the conduct of the activities of the Partnership;

(2) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(3) the acquisition, disposition, sale, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership (including the exercise or grant of any conversion, option, privilege or subscription right or other right available in connection with any assets at any time held by the Partnership) or the merger or other combination of the Partnership with or into another entity, on such terms as the General Partner deems proper in its sole and absolute discretion;

(4) the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement, including, without limitation, the financing of the conduct of the operations of the Partnership or any of the Partnership's Subsidiaries, the lending of funds to other Persons, subject to Section 7.6.D, and the repayment of obligations of the Partnership and its Subsidiaries and any other Person in which the Partnership has an equity investment and the making of capital contributions to its Subsidiaries;

(5) the management, operation, leasing, landscaping, repair, alteration, demolition or improvement of any real property or improvements owned by the Partnership or any Subsidiary of the Partnership or any other Person in which the Partnership has made a direct or indirect equity investment;

(6) the negotiation, execution, and performance of any contracts, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement, including contracting with contractors, developers, consultants, accountants, legal counsel, other professional advisors and other agents and the payment of their expenses and compensation out of the Partnership's assets;

(7) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement;

(8) the holding, managing, investing and reinvesting of cash and other assets of the Partnership and, in connection therewith, the opening, maintaining and closing of bank and brokerage accounts and the drawing of checks or other orders for the payment of moneys;

(9) the collection and receipt of revenues and income of the Partnership;

(10) the selection and dismissal of employees of the Partnership (including, without limitation, employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors of the Partnership, and the determination of their compensation and other terms of employment or hiring;

(11) the maintenance of such insurance for the benefit of the Partnership and the Partners;

(12) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, joint ventures, limited liability companies or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to its Subsidiaries and any other Person in which it has an equity investment from time to time);

(13) the control of any matters affecting the rights and obligations of the Partnership, including the settlement, compromise, submission to arbitration or any other form of dispute resolution or abandonment of any claim, cause of action, liability, debt or damages due or owing to or from the Partnership, the commencement or defense of suits, legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the representation of the Partnership in all suits or legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the incurring of legal expense and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(14) the determination of the fair market value of any Partnership property distributed in kind, using such reasonable method of valuation as the General Partner may adopt;

(15) the exercise, directly or indirectly, through any attorney-in-fact acting under a general or limited power of attorney, of any right, including the right to vote, appurtenant to any assets or investment held by the Partnership;

(16) the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of or in connection with any Subsidiary of the Partnership or any other Person in which the Partnership has a direct or indirect interest, individually or jointly with any such Subsidiary or other Person;

(17) the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of any Person in which the Partnership does not have any interest pursuant to contractual or other arrangements with such Person;

(18) the making, executing and delivering of any and all deeds, leases, notes, deeds to secure debt, mortgages, deeds of trust, security agreements, conveyances, contracts, guarantees, warranties, indemnities, waivers, releases or other legal instruments or agreements in writing necessary or appropriate in the judgment of the General Partner for the accomplishment of any of the powers of the General Partner under this Agreement;

(19) the distribution of cash to acquire Partnership Units held by a Limited Partner in connection with a Limited Partner's exercise of its Redemption Right under Section 8.6 hereof;

(20) the amendment and restatement of Exhibit A hereto to reflect accurately at all times the Capital Contributions and Percentage Interests of the Partners as the same are adjusted from time to time to the extent necessary to reflect redemptions, Capital Contributions, the issuance of Partnership Units, the admission of any Additional Limited Partner or any Substituted Limited Partner or otherwise, which amendment and restatement, notwithstanding anything in this Agreement to the contrary, shall not be deemed an amendment of this Agreement, as long as the matter or event being reflected in Exhibit A hereto otherwise is authorized by this Agreement;

(21) the approval and/or implementation of any merger (including a triangular merger), consolidation or other combination between the Partnership and another person that is not prohibited under this Agreement, whether with or without Consent, the terms of Section 17-211(g) of the Act shall be applicable such that the General Partner shall have the right to effect any amendment to this Agreement or effect the adoption of a new partnership agreement for a limited partnership if it is the surviving or resulting limited partnership on the merger or consolidation (except as may be expressly prohibited under Section 7.11.D., Section 14.1.C, Section 14.1.D or Section 14.1.F); and

(22) the taking of any and all actions necessary or desirable in furtherance of, in connection with or incidental to the foregoing.

B. No Approval by Limited Partners. Except as provided in Section 7.11 below, each of the Limited Partners agrees that the General Partner is authorized to execute, deliver and perform the above- mentioned agreements and transactions on behalf of the Partnership without any further act, approval or vote of the Partners, notwithstanding any other provision of this Agreement, the Act or any applicable law, rule or regulation, to the full extent permitted under the Act or other applicable law. The execution, delivery or

performance by the General Partner or the Partnership of any agreement authorized or permitted under this Agreement shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement or of any duty stated or implied by law or equity.

C. Insurance. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance on the properties of the Partnership, (ii) liability insurance for the Indemnitees hereunder and (iii) such other insurance as the General Partner, in its sole and absolute discretion, determines to be necessary.

D. Working Capital and Other Reserves. At all times from and after the date hereof, the General Partner may cause the Partnership to establish and maintain working capital reserves in such amounts as the General Partner, in its sole and absolute discretion, deems appropriate and reasonable (both in purpose and amount) from time to time, including upon liquidation of the Partnership pursuant to Section 13.2 hereof.

E. No Obligations to Consider Tax Consequences of Limited Partners. In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner (including the General Partner) of any action taken (or not taken) by it. The General Partner and the Partnership shall not have liability to a Limited Partner for monetary damages or otherwise for losses sustained, liabilities incurred or benefits not derived by such Limited Partner in connection with such decisions, provided that the General Partner has acted in good faith and not beyond its authority under this Agreement.

Section 7.2 Certificate of Limited Partnership

The Partnership has caused the Certificate to be filed with the Secretary of State of Delaware. To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Delaware and each other state, the District of Columbia or other jurisdiction in which the Partnership may elect to do business or own property. Subject to the terms of Section 8.5.A(4) hereof, the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and any other state, the District of Columbia or other jurisdiction in which the Partnership may elect to do business or own property.

Section 7.3 Title to Partnership Assets

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partners, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner for the use and benefit of the Partnership in accordance with the provisions of this Agreement. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

Section 7.4 Reimbursement of the General Partner

A. No Compensation. Except as provided in this Section 7.4 and elsewhere in this Agreement (including the provisions of Articles V and VI hereof regarding distributions, payments and allocations to which it may be entitled), the General Partner shall not be compensated for its services as general partner of the Partnership.

B. Responsibility for Partnership Expenses. The Partnership shall be responsible for and shall pay all expenses relating to the Partnership's organization, the ownership of its assets and its operations. The General Partner shall be reimbursed on a monthly basis, or such other basis as the General Partner may determine in its sole and absolute discretion, for all expenses it incurs relating to the ownership and operation of, or for the benefit of, the Partnership (including, without limitation, expenses related to the management and administration of any Subsidiaries of the General Partner or the Partnership or Affiliates of the Partnership such as auditing expenses and filing fees); provided that (x), the amount of any such reimbursement shall be reduced by (i) any interest earned by the General Partner with respect to bank accounts or other instruments or accounts held by it as permitted in Section 7.5.A below and (ii) any amount derived by the General Partner from any investments permitted in Section 7.5.A below and (y) REIT Expenses shall not be treated as Partnership expenses for purposes of this Section 7.4.B. The General Partner shall determine in good faith the amount of expenses incurred by it related to the ownership and operation of, or for the benefit of, the Partnership. In the event that certain expenses are incurred for the benefit of the Partnership and other entities (including the General Partner), such expenses will be allocated to the Partnership and such other entities in such a manner as the General Partner in its sole and absolute discretion deems fair and reasonable. Such reimbursements shall be in addition to any reimbursement to the General Partner pursuant to Section 10.3.C hereof and as a result of indemnification pursuant to Section 7.7 below. All payments and reimbursements hereunder shall be characterized for federal income tax purposes as expenses of the Partnership incurred on its behalf, and not as expenses of the General Partner.

C. Partnership Interest Issuance Expenses. The General Partner shall also be reimbursed for all expenses it incurs relating to any issuance of additional Partnership Interests, Debt of the Partnership or rights, options, warrants or convertible or exchangeable securities pursuant to Article IV hereof (including, without limitation, all costs, expenses, damages and other payments resulting from or arising in connection with litigation related to any of the foregoing), all of which expenses are considered by the Partners to constitute expenses of, and for the benefit of, the Partnership.

D. Purchases of Shares by the General Partner. In the event that the General Partner exercises its rights under the Declaration of Trust to purchase shares or otherwise elects to purchase from its shareholders Shares in connection with a share repurchase or similar program or for the purpose of delivering such Shares to satisfy an obligation under any dividend reinvestment or share purchase program adopted by the General Partner, any employee share purchase plan adopted by the General Partner or any similar obligation or arrangement undertaken by the General Partner in the future, the purchase price paid by the General Partner for such Shares and any other expenses incurred by the General Partner in connection with such purchase shall be considered REIT Expenses, and the Partnership shall distribute cash to the General Partner to offset such expenses pursuant to Section 5.1, subject to the conditions that: (i) if such Shares subsequently are to be sold by the General Partner, the General Partner pays to the Partnership any proceeds received by the General Partner for such Shares (provided that a transfer of Shares for Partnership Units pursuant to Section 8.6 hereof would not be considered a sale for such purposes); and (ii) if such Shares are not retransferred by the General Partner within thirty (30) days after the purchase thereof, the General Partner shall cause the Partnership to cancel a number of Partnership Units of the appropriate class (rounded to the nearest whole Partnership Unit) held by the General Partner equal to the product attained by multiplying the number of such Shares by a fraction, the numerator of which is one and the denominator of which is the Conversion Factor.

E. Tax Treatment of Certain Reimbursements. If and to the extent that any reimbursement made pursuant to this Section 7.4 is determined for federal income tax purposes not to constitute a payment of expenses of the Partnership, then such reimbursement shall be treated as a distribution pursuant to clause (i) of Section 5.1.B. hereof.

Section 7.5 Outside Activities of the General Partner

A. General. Without the Consent of the Outside Limited Partners, except as set forth in this Section 7.5.A, the General Partner shall not, directly or indirectly, enter into or conduct any business other than in connection with the ownership, acquisition and disposition of Partnership Interests as a General Partner or Limited Partner and the management of the business of the Partnership and such activities as are incidental to any of the foregoing. Without the Consent of the Outside Limited Partners, the assets of the General Partner shall be limited to Partnership Interests and permitted debt obligations of the Partnership (as contemplated by Section 7.5.F below), so that Shares and Partnership Units are completely fungible except as otherwise specifically provided herein; provided, that the General Partner shall be permitted to hold (i) interests in entities, including Qualified REIT Subsidiaries, that hold no material assets; (ii) interests in Qualified REIT Subsidiaries (or other entities that are not taxed as corporations for federal income tax purposes) that own only interests in the Partnership and/or interests in other Qualified REIT Subsidiaries (or other entities that are not taxed as corporations for federal income tax purposes) that either hold no assets or hold only interests in the Partnership; (iii) assets and/or interests in entities, including Qualified REIT Subsidiaries, that hold assets, having an aggregate value not greater than five percent (5%) of the total market value of the General Partner Entity (determined by reference to the value of all outstanding equity securities of the General Partner Entity), provided that (X) the General Partner Entity will apply the net income from such assets (other than net income derived as a result of a Qualified REIT Subsidiary's ownership of an interest in the Partnership) to offset REIT Expenses before utilizing the distribution provisions of Section 5.1.B(i), (Y) the General Partner will contribute all net income generated by such assets and/or interests (other than net income derived as a result of a Qualified REIT Subsidiary's ownership of an interest in the Partnership) to the Operating Partnership (after taking into account REIT Expenses as described in clause (X) above), and (Z) the General Partner will use commercially reasonable efforts to transfer such assets and interests (other than interests in Qualified REIT Subsidiaries and the Partnership) to the Operating Partnership or an entity controlled by the Operating Partnership as soon as such a transfer can be made without causing the REIT or the Operating Partnership to incur any material expenses in connection therewith; and (iv) such bank accounts or similar instruments or account in its own name as it deems necessary to carry out its responsibilities and purposes as contemplated under this Agreement and its organizational documents; and, provided, further, that the General Partner shall be permitted to acquire, directly or through a Qualified REIT Subsidiary (or other entities that are not taxed as corporations for federal income tax purposes), up to a one percent (1%) interest in any partnership or limited liability company at least ninety-nine percent (99%) of the equity of which is owned directly or indirectly by the Partnership. The General Partner and any of its Affiliates may acquire Limited Partnership Interests and shall be entitled to exercise all rights of a Limited Partner relating to such Limited Partnership Interests.

B. Repurchase of Shares. In the event the General Partner exercises its rights under the Declaration of Trust to purchase Shares or otherwise elects to purchase from its shareholders Shares in connection with a share repurchase or similar program or for the purpose of delivering such Shares to satisfy an obligation under any dividend reinvestment or share purchase program adopted by the General Partner, any employee share purchase plan adopted by the General Partner or any similar obligation or arrangement undertaken by the General Partner in the future, and the General Partner does not resell said Shares within thirty (30) days after the purchase thereof as contemplated in Section 7.4.D(i), then the General Partner shall cause the Partnership to purchase from the General Partner (and eliminate) that number of Partnership Units of the appropriate class equal to the product obtained by multiplying the number of Shares purchased by the General Partner times a fraction,

the numerator of which is one and the denominator of which is the Conversion Factor, on the same terms and for the same aggregate price that the General Partner purchased such Shares.

C. Forfeiture of Shares. In the event the Partnership or the General Partner acquires Shares as a result of the forfeiture of such Shares under a restricted or similar share plan, then the General Partner shall cause the Partnership to cancel that number of Partnership Units of the appropriate class equal to the number of Shares so acquired, and, if the Partnership acquired such Shares, it shall transfer such Shares to the General Partner for cancellation.

D. Issuances of Shares. After the Effective Date, the General Partner shall not grant, award, or issue any additional Shares (other than Shares issued pursuant to Section 8.6 hereof or pursuant to a dividend or distribution (including any share split) of Shares to all of its shareholders), other equity securities of the General Partner, New Securities or Convertible Funding Debt unless (i) the General Partner shall cause, pursuant to Section 4.2.A hereof, the Partnership to issue to the General Partner Partnership Interests or rights, options, warrants or convertible or exchangeable securities of the Partnership having designations, preferences and other rights, all such that the economic interests are substantially the same as those of such additional Shares, other equity securities, New Securities or Convertible Funding Debt, as the case may be, and (ii) the General Partner transfers to the Partnership, as an additional Capital Contribution, the proceeds from the grant, award, or issuance of such additional Shares, other equity securities, New Securities or Convertible Funding Debt, as the case may be, or from the exercise of rights contained in such additional Shares, other equity securities, New Securities or Convertible Funding Debt, as the case may be. Without limiting the foregoing, the General Partner is expressly authorized to issue additional Shares, other equity securities, New Securities or Convertible Funding Debt, as the case may be, for less than fair market value, and the General Partner is expressly authorized, pursuant to Section 4.2.A hereof, to cause the Partnership to issue to the General Partner corresponding Partnership Interests, as long as (a) the General Partner concludes in good faith that such issuance is in the interests of the General Partner and the Partnership (for example, and not by way of limitation, the issuance of Shares and corresponding Partnership Units pursuant to a share purchase plan providing for purchases of Shares, either by employees or shareholders, at a discount from fair market value or pursuant to employee share options that have an exercise price that is less than the fair market value of the Shares, either at the time of issuance or at the time of exercise) and (b) the General Partner transfers all proceeds from any such issuance or exercise to the Partnership as an additional Capital Contribution.

E. Stock Option Plan. If at any time or from time to time, the General Partner sells Shares pursuant to any Stock Option Plan, the General Partner shall transfer the net proceeds of the sale of such Shares to the Partnership as an additional Capital Contribution in exchange for an amount of additional Partnership Units equal to the number of Shares so sold divided by the Conversion Factor.

F. Funding Debt. The General Partner may incur a Funding Debt, including, without limitation, a Funding Debt that is convertible into Shares or otherwise constitutes a class of New Securities ("Convertible Funding Debt"), subject to the condition that the General Partner lends to the Partnership the net proceeds of such Funding Debt; provided, that Convertible Funding Debt shall be issued pursuant to Section 7.5.D above; and, provided, further, that the General Partner shall not be obligated to lend the net proceeds of any Funding Debt to the Partnership in a manner that would be inconsistent with the General Partner's ability to remain qualified as a REIT. If the General Partner enters into any Funding Debt, the loan to the Partnership shall be on comparable terms and conditions, including interest rate, repayment schedule and costs and expenses, as are applicable with respect to or incurred in connection with such Funding Debt.

Section 7.6 Transactions with Affiliates

A. Transactions with Certain Affiliates. Except as expressly permitted by this Agreement (other than Section 7.1.A hereof, which shall not be considered authority for a transaction that otherwise would be prohibited by this Section 7.6.A), the Partnership shall not, directly or indirectly, sell, transfer or convey any property to, or purchase any property from, or borrow funds from, or lend funds to, any Partner or any Affiliate of the Partnership or the General Partner or the General Partner Entity that is not also a Subsidiary of the Partnership, except pursuant to a transaction that has been approved by a majority of the disinterested trustees (or directors) of the General Partner or General Partner Entity (as applicable), taking into account the fiduciary duties of the General Partner or General Partner Entity (as applicable) to the Limited Partners.

B. Benefit Plans. The General Partner, in its sole and absolute discretion and without the approval of the Limited Partners, may propose and adopt on behalf of the Partnership employee benefit plans funded by the Partnership for the benefit of employees of the General Partner, the Partnership, Subsidiaries of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the Partnership, the General Partner, or any of the Partnership's Subsidiaries.

C. Conflict Avoidance. The General Partner is expressly authorized to enter into, in the name and on behalf of the Partnership, a right of first opportunity arrangement and other conflict avoidance agreements with various Affiliates of the Partnership and General Partner on such terms as the General Partner, in its sole and absolute discretion, believes are advisable.

D. Limitation on Loans to the General Partner. Except with the Consent of the Outside Limited Partners, the General Partner may not cause the Partnership to loan money to the General Partner or to any Subsidiary or Affiliate of the General Partner which is not also a Subsidiary or an entity in which the Partnership owns an equity interest.

Section 7.7 Indemnification

A. General. To the maximum extent permitted by applicable law at the time, the Partnership, without requiring a preliminary determination of the ultimate entitlement to indemnification, shall indemnify each Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including, without limitation, attorneys fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from or in connection with any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative incurred by the Indemnitee and relating to the Partnership or the General Partner or the formation or the current (and, in the case of the General Partner's right to indemnification from the Partnership, prior) operations of, or the current (and, in the case of the General Partner's right to indemnification from the Partnership, prior) ownership of property by, either of them as set forth in this Agreement in which any such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, unless it is established by a final determination of a court of competent jurisdiction that: (i) the act or omission of the Indemnitee was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty, (ii) the Indemnitee actually received an improper personal benefit in money, property or services or (iii) in the case of any criminal proceeding, the Indemnitee had reasonable cause to believe that the act or omission was unlawful. The obligations of the Partnership under this Section 7.7 shall include reimbursement of the General Partner for any indemnification or advance of expenses by the General Partner pursuant to Title 8, the Declaration of Trust or its Bylaws. Without limitation, the foregoing indemnity shall extend to any liability of any Indemnitee, pursuant to a loan guarantee, contractual obligations for any indebtedness or other obligations or otherwise, for any indebtedness of the Partnership or any Subsidiary of the Partnership (including, without limitation, any indebtedness which the Partnership or any

Subsidiary of the Partnership has assumed or taken subject to). The General Partner is hereby authorized and empowered, on behalf of the Partnership, to enter into one or more indemnity agreements not inconsistent with the provisions of this Section 7.7 in favor of any Indemnitee having or potentially having liability for any such indebtedness. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.7.A. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership and any insurance proceeds from the liability policy covering the General Partner and any Indemnitees, and neither the General Partner nor any Limited Partner shall have any obligation to contribute to the capital of the Partnership or otherwise provide funds to enable the Partnership to fund its obligations under this Section 7.7.

B. Advancement of Expenses. Reasonable expenses expected to be incurred by an Indemnitee shall be paid or reimbursed by the Partnership in advance of the final disposition of any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative made or threatened against an Indemnitee, in the case of any trustee/director or officer who is an Indemnitee upon receipt by the Partnership of (i) a written affirmation by the Indemnitee of the Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Partnership as authorized in this Section 7.7.A has been met and (ii) a written undertaking by or on behalf of the Indemnitee to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

C. No Limitation of Rights. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity unless otherwise provided in a written agreement pursuant to which such Indemnitee is indemnified.

D. Insurance. The Partnership may purchase and maintain insurance on behalf of the Indemnitees and such other Persons as the General Partner shall determine against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. Benefit Plan Fiduciary. For purposes of this Section 7.7, (i) the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan, (ii) excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute fines within the meaning of this Section 7.7 and (iii) actions taken or omitted by the Indemnitee with respect to an employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be related to the Partnership.

F. No Personal Liability for Limited Partners. In no event may an Indemnitee subject any of the Partners to liability by reason of the indemnification provisions set forth in this Agreement.

G. Interested Transactions. An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

H. Benefit. The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons. Any amendment, modification or repeal of this Section 7.7, or any provision hereof, shall be

prospective only and shall not in any way affect the obligation of the Partnership to any Indemnitee under this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or related to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

I. Indemnification Payments Not Distributions. If and to the extent any payments to the General Partner pursuant to this Section 7.7 constitute gross income to the General Partner (as opposed to the repayment of advances made on behalf of the Partnership), such amounts shall constitute guaranteed payments within the meaning of Section 707(c) of the Code, shall be treated consistently therewith by the Partnership and all Partners, and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.8 Liability of the General Partner

A. General. Notwithstanding anything to the contrary set forth in this Agreement, the General Partner and its directors and officers shall not be liable for monetary damages to the Partnership, any Partners or any Assignees for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission if the General Partner acted in good faith.

B. No Obligation to Consider Separate Interests of Limited Partners or Shareholders. The Limited Partners expressly acknowledge that the General Partner is acting on behalf of the Partnership and the General Partner's shareholders collectively, that the General Partner is under no obligation to consider the separate interests of the Limited Partners (including, without limitation, the tax consequences to Limited Partners or Assignees or to such shareholders) in deciding whether to cause the Partnership to take (or decline to take) any actions and that the General Partner shall not be liable for monetary damages or otherwise for losses sustained, liabilities incurred or benefits not derived by Limited Partners in connection with such decisions, provided that the General Partner has acted in good faith.

C. Actions of Agents. Subject to its obligations and duties as General Partner set forth in Section 7.1.A above, the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents. The General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

D. Effect of Amendment. Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the General Partner's liability to the Partnership and the Limited Partners under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.9 Other Matters Concerning the General Partner

A. Reliance on Documents. The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties.

B. Reliance on Advisors. The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisors selected by it, and any act taken or omitted to be taken in reliance upon the opinion of such Persons as to matters which the General

Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

C. Action Through Agents. The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers and a duly appointed attorney or attorneys-in-fact. Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform all and every act and duty which is permitted or required to be done by the General Partner hereunder.

D. Actions to Maintain REIT Status or Avoid Taxation of the General Partner Entity or the General Partner (as applicable). Notwithstanding any other provisions of this Agreement (other than the limitations on the General Partner's authority set forth in Sections 7.5, 7.6.A, 7.6.D, and 7.11) or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the General Partner Entity or the General Partner (as applicable) to continue to satisfy the REIT Requirements or (ii) to allow the General Partner Entity or the General Partner (as applicable) to avoid incurring any liability for taxes under Section 857 or 4981 of the Code, is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

Section 7.10 Reliance by Third Parties

Notwithstanding anything to the contrary in this Agreement (other than the limitations on the General Partner's authority set forth in Sections 7.5, 7.6.A, 7.6.D, and 7.11), any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority, without consent or approval of any other Partner or Person, to encumber, sell or otherwise use in any manner any and all assets of the Partnership, to enter into any contracts on behalf of the Partnership and to take any and all actions on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if the General Partner were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies which may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (i) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (ii) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership, and (iii) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

Section 7.11 Restrictions on General Partner's Authority

A. Consent Required. The General Partner may not take any action in contravention of an express prohibition or limitation of this Agreement without the written Consent of (i) all Partners adversely affected or (ii) such lower percentage of the Limited Partnership Interests as may be specifically provided for under a provision of this Agreement or the Act.

B. Intentionally Omitted.

C. Required Consent of Certain Partners. (i) The General Partner may not, directly or indirectly, cause the Partnership to take any action prohibited by this Section 7.11.C without the requisite approval as provided in this Section 7.11.C.

(1) For a period of twenty (20) years following the Effective Date, the General Partner may not, directly or indirectly, cause the Partnership to sell, exchange or otherwise dispose of the property located at Two Penn Plaza, New York, New York or any indirect interest therein (collectively, the "Two Penn Plaza Property") (other than an involuntary sale pursuant to foreclosure of the mortgage secured by the Two Penn Plaza Property or otherwise, including pursuant to (x) an event described in Section 1033 of the Code (as determined without reference to the property, if any, into which the Two Penn Plaza Property is converted), other than a disposition resulting from the mere threat or imminence of a requisition or condemnation and (y) a deed in lieu of foreclosure (provided that the General Partner may not execute any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the Two Penn Plaza Property has occurred, whether by reason of acceleration or otherwise, or a proceeding in connection with a Bankruptcy of the Partnership, the fee owning entity or any intermediate Person between them) to any Person without the Consent of the Partners at the time of the proposed sale, exchange or other disposition (other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) who hold seventy-five percent (75%) of the Partnership Units which were issued with respect to Two Penn Plaza Associates in the Consolidation and which remain outstanding (whether held by the original recipient of such Partnership Units or by a successor or transferee of the original recipient, but not including the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) (referred to as "Two Penn Plaza Units"). In addition, during such twenty-year period, the General Partner may not, directly or indirectly, cause the Partnership to repay, earlier than one year prior to its stated maturity, any indebtedness secured by the Two Penn Plaza Property without the Consent of Partners holding seventy-five percent (75%) of the Two Penn Plaza Units, unless such repayment (a) is made in connection with the refinancing (on a basis such that the new debt would be considered a Nonrecourse Liability, or, as contemplated and only to the extent required by clause (2) below, a Partner Nonrecourse Debt) of such indebtedness for an amount not less than the principal amount of such indebtedness on the date of such refinancing, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the Two Penn Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the Two Penn Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to provide such guarantee is obtainable on commercially reasonable terms, or (b) is made in connection with an involuntary sale pursuant to foreclosure of the mortgage secured by the Two Penn Plaza Property or otherwise, including pursuant to a deed in lieu of foreclosure (provided that the General Partner may not execute any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the Two Penn Plaza Property has been accelerated) or a proceeding in connection with a Bankruptcy of the Partnership, the fee-owning entity or any intermediate Person between them. During such twenty-year period, the General Partner shall use commercially reasonable efforts during the one-year period prior to the stated maturity of such indebtedness to cause the Partnership to refinance (on a basis such that the new

debt would be considered a Nonrecourse Liability, or, as contemplated and only to the extent required by clause (2) below, a Partner Nonrecourse Debt) the indebtedness for an amount not less than the principal amount of such indebtedness on the date of such refinancing, provided such refinancing can be obtained on commercially reasonable terms, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the Two Penn Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the Two Penn Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to provide such guarantee is obtainable on commercially reasonable terms. Finally, during such twenty-year period, the General Partner shall not, without the Consent of Partners holding seventy-five percent (75%) of the Two Penn Plaza Units, incur indebtedness secured by the Two Penn Plaza Property if, at the time such indebtedness is incurred, the aggregate amount of the indebtedness secured by the Two Penn Plaza Property would exceed the greater of (i) seventy percent (70%) of the fair market value of the Two Penn Plaza Property (or the interest therein) securing such indebtedness or (ii) the then outstanding indebtedness being refinanced plus all costs (including prepayment fees, "breakage" payments and similar costs) incurred in connection with such refinancing. All references in this Section 7.11.C to "commercially reasonable terms" shall be as determined by the General Partner in its sole discretion, exercised in good faith.

(2) For a period of twenty (20) years following the Effective Date, the General Partner may not, directly or indirectly, cause the Partnership to sell, exchange or otherwise dispose of the property located at Eleven Penn Plaza, New York, New York or any indirect interest therein (collectively, the "Eleven Penn Plaza Property") (other than an involuntary sale pursuant to foreclosure of the mortgage secured by the Eleven Penn Plaza Property or otherwise, including pursuant to (x) an event described in Section 1033 of the Code (as determined without reference to the property, if any, into which the Eleven Penn Plaza Property is converted), other than a disposition resulting from the mere threat or imminence of a requisition or condemnation and (y) a deed in lieu of foreclosure (provided that the General Partner may not execute any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the Eleven Penn Plaza Property has occurred, whether by reason of acceleration or otherwise, or a proceeding in connection with a Bankruptcy of the Partnership, the fee-owning entity or any intermediate Person between them) to any Person without the Consent of the Partners at the time of the proposed sale, exchange or other disposition who hold seventy-five percent (75%) of the Partnership Units which were issued with respect to the Eleven Penn Partnerships in the Consolidation and which remain outstanding (whether held by the original recipient of such Partnership Units or by a successor or transferee of the original recipient, but not including the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) (referred to as "Eleven Penn Plaza Units"). In addition, during such twenty-year period, the General Partner may not, directly or indirectly, cause the Partnership to repay, earlier than one year prior to its stated maturity, any indebtedness secured by the Eleven Penn Plaza Property without the Consent of Partners who hold seventy-five percent (75%) of the Eleven Penn Plaza Units, unless such repayment (a) is made in connection with the refinancing (on a basis such that the new debt would be considered a Nonrecourse Liability, or, as contemplated and only to the extent required by clause (2) below, a

Partner Nonrecourse Debt) of such indebtedness for an amount not less than the principal amount of such indebtedness on the date of such refinancing, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the Eleven Penn Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the Eleven Penn Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to provide such guarantee is obtainable on commercially reasonable terms, or (b) is made in connection with an involuntary sale pursuant to foreclosure of the mortgage secured by the Eleven Penn Plaza Property or otherwise, including pursuant to a deed in lieu of foreclosure (provided that the General Partner may not execute any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the Eleven Penn Plaza Property has been accelerated) or a proceeding in connection with a Bankruptcy of the Partnership, the fee-owning entity or any intermediate Person between them. During such twenty-year period, the General Partner shall use commercially reasonable efforts during the one-year period prior to the stated maturity of such indebtedness to cause the Partnership to refinance (on a basis such that the new debt would be considered a Nonrecourse Liability, or, as contemplated and only to the extent required by clause (2) below, a Partner Nonrecourse Debt) the indebtedness for an amount not less than the principal amount of such indebtedness on the date of such refinancing, provided such refinancing can be obtained on commercially reasonable terms, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the Eleven Penn Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the Eleven Penn Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to provide such guarantee is obtainable on commercially reasonable terms. Finally, during such twenty-year period, the General Partner shall not, without the Consent of Partners holding seventy-five percent (75%) of the Eleven Penn Plaza Units, incur indebtedness secured by the Eleven Penn Plaza Property if, at the time such indebtedness is incurred, the aggregate amount of the indebtedness secured by the Eleven Penn Plaza Property would exceed the greater of (i) seventy percent (70%) of the fair market value of the Eleven Penn Plaza Property (or the interest therein) securing such indebtedness or (ii) the then outstanding indebtedness being refinanced plus all costs (including prepayment fees, "breakage" payments and similar costs) incurred in connection with such refinancing.

(3) For a period of twenty (20) years following the Effective Date, the General Partner may not, directly or indirectly, cause the Partnership to sell, exchange, or otherwise dispose of the property located at 866 U.N. Plaza, New York, New York or any indirect interest therein (collectively, the "866 U.N. Plaza Property") (other than an involuntary sale pursuant to foreclosure of the mortgage secured by the 866 U.N. Plaza Property or otherwise, including pursuant to (x) an event described in Section 1033 of the Code (as determined without reference to the property, if any, into which the 866 U.N. Plaza Property is converted), other than a disposition resulting from the mere threat or imminence of a requisition or condemnation and (y) a deed in lieu of foreclosure (provided that the General Partner may not execute any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the 866 U.N. Plaza Property has occurred, whether by reason of acceleration or otherwise, or a proceeding in

connection with a Bankruptcy of the Partnership, the fee-owning entity or any intermediate Person between them) to any Person without the Consent of the Partners at the time of the proposed sale, exchange or other disposition (other than the General Partner or the General Partner Entity or any Subsidiary of either of the General Partner of the General Partner or the General Partner Entity) who hold seventy-five percent (75%) of the Partnership Units which were issued with respect to 866 U.N. Plaza Associates in the Consolidation and which remain outstanding (whether held by the original recipient of such Partnership Units or by a successor or transferee of the original recipient, but not including the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) (referred to as "866 U.N. Plaza Units"). In addition, during such twenty-year period, the General Partner may not, directly or indirectly, cause the Partnership to repay, earlier than one year prior to its stated maturity, any indebtedness secured by the 866 U.N. Plaza Property without the Consent of Partners holding seventy-five percent (75%) of the 866 U.N. Plaza Units, unless such repayment (a) is made in connection with the refinancing (on a basis such that the new debt would be considered a Nonrecourse Liability or, as contemplated and only to the extent required by clause (2) below, a Partner Nonrecourse Debt) of such indebtedness for an amount not less than the principal amount of such indebtedness on the date of such refinancing, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the 866 U.N. Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the 866 U.N. Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to provide such guarantee is obtainable on commercially reasonable terms, or (b) is made in connection with an involuntary sale pursuant to foreclosure of the mortgage secured by the 866 U.N. Plaza Property or otherwise, including pursuant to a deed in lieu of foreclosure (provided that the General Partner may not execute any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the 866 U.N. Plaza Property has been accelerated) or a proceeding in connection with a Bankruptcy of the Partnership, of the fee-owning entity or any intermediate Person between them. During such twenty-year period, the General Partner shall use commercially reasonable efforts during the one-year period prior to the stated maturity of such indebtedness to cause the Partnership to refinance (on a basis such that the new debt would be considered a Nonrecourse Liability, or, as contemplated and only to the extent required by clause (2) below, a Partner Nonrecourse Debt) the indebtedness for an amount not less than the principal amount of such indebtedness on the date of such refinancing, provided such refinancing can be obtained on commercially reasonable terms, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the 866 U.N. Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the 866 U.N. Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to provide such guarantee is obtainable on commercially reasonable terms. Finally, during such twenty-year period, the General Partner shall not, without the Consent of Partners holding seventy-five percent (75%) of the 866 U.N. Plaza Units, incur indebtedness secured by the 866 U.N. Plaza Property if, at the time such indebtedness is incurred, the aggregate amount of the indebtedness secured by the 866 U.N. Plaza Property would exceed the greater of (i) seventy percent (70%) of the fair market value of the

866 U.N. Plaza Property (or the interest therein) securing such indebtedness or (ii) the then outstanding indebtedness being refinanced plus all costs (including prepayment fees, "breakage" payments and similar costs) incurred in connection with such refinancing.

(4) Subparagraphs (1), (2), and (3) shall not apply to any transaction that involves the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as the case may be (which Property is referred to as the "Exchanged Property"), if such transaction qualifies as a like-kind exchange under Section 1031 of the Code or an involuntary conversion under Section 1033 of the Code (other than an involuntary conversion under Section 1033 of the Code that is described in the second parenthetical to subparagraphs (1), (2) or (3), as the case may be) in which no gain is recognized by the Partnership as long as the following conditions are satisfied: (x) in the case of a Section 1031 like-kind exchange, such exchange is not with a "related party" within the meaning of Section 1031(f)(3) of the Code; (y) the property received in exchange for the Exchanged Property (referred to as the "Replacement Property") is acquired in the same taxable year of the Partnership in which the disposition of the Exchanged Property occurs and is secured by nonrecourse indebtedness in an amount not less than the outstanding principal amount of the nonrecourse indebtedness secured by the Exchanged Property at the time of the exchange, nor greater than the amount that would be permitted under Sections 7.11.C(1), (2), or (3), as the case may be (except that 70% of fair market value shall be determined by reference to the Replacement Property and not the Exchanged Property, with a maturity not earlier than, and a principal amortization rate not more rapid than, the maturity and principal amortization rate of such indebtedness secured by the Exchanged Property, which indebtedness permits (but does not require) a guarantee of such indebtedness by the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as the case may be, who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as the case may be, in effect immediately prior to the time of the exchange, and (z) the Replacement Property is thereafter treated for all purposes of the restrictions in this Section 7.11.C as the Exchanged Property and the indebtedness secured by such Replacement Property is subject to the same restrictions and agreements as apply with respect to the indebtedness secured by the Exchanged Property.

(5) Subparagraphs (1), (2), and (3) shall not apply to any transaction that involves the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as the case may be (which Property is referred to as the "Transferred Property"), if (x) such transaction is one in which no gain is recognized with respect to the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property by the Partnership or the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units, or the 866 U.N. Plaza Units, as the case may be (other than gain, if any, resulting solely because the share, if any, of indebtedness allocable to a Partnership Unit is reduced or eliminated), provided that (i) the amount of indebtedness secured by the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable, is not decreased as a result of the transaction and the amount of indebtedness secured by the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable, that is a Nonrecourse Liability or Partner Nonrecourse Debt is not reduced, except as permitted by the relevant provisions of

Subparagraph (1), (2) or (3) of this Section 7.11.C, and (ii) the indebtedness secured by the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable, continues to be taken into account in determining the Partners' basis in their Partnership Interests under rules similar to those provided in Section 752 of the Code and (y) the entity to which such Transferred Property is transferred agrees, for the benefit of the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as the case may be, that all of the restrictions of this Section 7.11.C shall apply to the Transferred Property and the indebtedness outstanding with respect thereto in the same manner and to the extent set forth in this Section 7.11.C and such agreement is reflected in the partnership agreement (or other comparable governing instrument) of the entity to which the Transferred Property is transferred.

(6) Subparagraphs (1), (2), and (3) shall not apply to any transaction that involves either a merger or consolidation of the Partnership with or into another entity that qualifies as a "partnership" for federal income tax purposes (the "Successor Partnership") or a transfer of all or substantially all of the assets of the Partnership to a Successor Partnership and dissolution of the Partnership in connection therewith (in either case, a "Consolidation Transaction") so long as (x) no gain is recognized with respect to the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property by the Partnership or the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as the case may be, in connection with such Consolidation Transaction (other than gain, if any, resulting solely because the share, if any, of indebtedness allocable to a Partnership Unit is reduced or eliminated, provided that the amount of indebtedness secured by the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable, is not decreased as a result of the transaction and the amount of indebtedness secured by the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable, that is a Nonrecourse Liability or Partner Nonrecourse Debt is not reduced, except as permitted by the relevant provisions of Subparagraph (1), (2) or (3) of this Section 7.11.C, and (y) the Successor Partnership agrees in writing, for the benefit of the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as the case may be, that all of the restrictions of this Section 7.11.C shall apply to the Two Penn Plaza Property, the Eleven Penn Plaza Property and the 866 U.N. Plaza Property and the indebtedness outstanding with respect thereto in the same manner and to the extent set forth in this Section 7.11.C.

(7) Subparagraphs (1), (2) and (3) shall not apply to any transaction not otherwise described in Subparagraph (4), (5) or (6) involving the Two Penn Plaza Property, the Eleven Penn Plaza Property and/or the 866 U.N. Plaza Property if, concurrently with the consummation of such transaction, the Partnership pays to the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units and/or the 866 U.N. Plaza Units, as applicable, in addition to any amounts otherwise distributable under Article V hereof, an amount equal to the lesser of (x) the aggregate federal, state and local income taxes payable by each holder of Two Penn Plaza Units, as applicable, as a result of or in connection with such transactions, or (y) the aggregate federal, state and local income taxes that would have been payable by such holder (or its predecessor in interest) if the relevant property had been sold on the Effective Date for its 704(c) Value; provided that the amount referred to in clause (y) shall be reduced to reflect (I) reductions in the Book/Tax Disparity with respect to the Two Penn Plaza Property, the Eleven Penn Plaza

Property and/or the 866 U.N. Plaza Property, as applicable, and (II) with respect to a holder who acquired Two Penn Plaza Units, Eleven Penn Plaza Units and/or 866 U.N. Plaza Units, as applicable, subsequent to the Effective Date, the reduction in gain that results from such holder's having a special inside basis under Section 743 of the Code in the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable (by treating the special inside basis as the basis for determining gain on the deemed sale described in clause (y)), but, in either (I) or (II), the gain with respect to which the tax is computed may not be so reduced beneath the "negative basis" associated, as of the Effective Time, with the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as appropriate, plus in the case of either (x) or (y), an amount equal to the aggregate federal, state and local income taxes payable by the recipient thereof as the result of the receipt of the payments provided for in this subparagraph (7) (including for this purpose all taxes on payments hereunder intended to compensate the recipient thereof for taxes owed by the recipient). For purposes of the preceding sentence, (x) all income arising from the transaction that is treated as ordinary income under the applicable provisions of the Code and is allocated to the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units and/or the 866 U.N. Plaza Units, as applicable, shall be treated as subject to federal, state and local income tax at the effective tax rate imposed on ordinary income of New York City residents, determined using the maximum federal, New York State and New York City rates on ordinary income then in effect and (y) all other income arising from the transaction and all payments provided for in this subparagraph (7) shall be treated as subject to federal, state and local income tax at the effective tax rate imposed on long-term capital gains of New York City residents, determined using the maximum federal, New York State and New York City rates on long-term capital gains then in effect.

If at any time prior to the twentieth (20th) anniversary of the Effective Date, the Partnership pays the amounts described in subparagraph (7) above in respect of any Partnership Units entitled to the benefits of Section 7.11.C(1), (2) or (3), and the amount of such payment is, at the time that it is made, equal to the full amount that would be payable under such Sections with respect to such Partnership Units if the Two Penn Plaza Property, the Eleven Penn Plaza Property, or the 866 U.N. Plaza Property, as applicable, were to have been sold on such date for its market value, then the provisions of Section 7.11.C shall thereafter cease to apply to those Partnership Units.

(ii) Nothing herein shall be deemed to require that the Partnership or the General Partner take any action to avoid or prevent an involuntary disposition of any property, whether pursuant to foreclosure of a mortgage secured by such property or otherwise, including pursuant to a deed in lieu of foreclosure or a proceeding in connection with a Bankruptcy.

(iii) Nothing herein shall prevent the sale, exchange, transfer or other disposition of any property pursuant to the dissolution and liquidation of the Partnership in accordance with Article XIII hereof (other than Section 13.1(v), which shall be subject to this Section 7.11.C).

D. Merger or Consolidation in Which the Partnership is Not the Surviving Entity. In the event that the Partnership is to merge or consolidate with or into any other entity in a transaction in which holders of Partnership Units will receive consideration other than cash or equity securities that are Publicly Traded (an "Equity Merger") and such Equity Merger would be prohibited by Section 7.11.C but for the application of Section 7.11.C(6) (and not Section 7.1.C(4), (5) or (7)), then, unless the Consent of Certain Limited Partners is obtained:

(i) the partnership agreement, limited liability agreement or other operative governing documents (the "Charter Documents") of the entity that is the surviving entity in such Equity Merger must contain provisions that are comparable in all material respects to, or the entity that is the surviving entity in such Equity Merger must otherwise agree in writing, for the benefit of the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units, and the 866 U.N. Plaza Units, to restrictions that are comparable in all material respects to the provisions of Section 4.2.A, Article V and Article VI (except for differences that would be permitted pursuant to Sections 4.2, 5.1.C, 5.4, 6.2 and 14.1.B(3) if such changes were to be made to this Agreement), Section 7.6.A, Section 7.11.A, this Section 7.11.D, Section 8.6 (and all defined terms set forth in Article I that relate to the Redemption Right), Section 11.2, Section 13.1, Section 13.2.A(3) (except as permitted pursuant to Sections 4.2, 5.4, 6.2 and 14.1.B(3)), Section 14.1.C, Section 14.1.D, and Section 14.2, all as in effect immediately prior to the Equity Merger; and

(ii) the Equity Merger shall not cause a holder of a Partnership Unit to be a general partner or to have liability equivalent to that of a general partner in a partnership or otherwise modify the limited liability of a Limited Partner under this Agreement.

Section 7.12 Loans by Third Parties

The Partnership may incur Debt, or enter into similar credit, guarantee, financing or refinancing arrangements for any purpose (including, without limitation, in connection with any acquisition of property) with any Person upon such terms as the General Partner determines appropriate; provided, that the Partnership shall not incur any Debt that is recourse to the General Partner unless, and then only to the extent that, the General Partner has expressly agreed.

ARTICLE VIII
RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Section 8.1 Limitation of Liability

The Limited Partners shall have no liability under this Agreement except as expressly provided in this Agreement, including Section 10.5 hereof, or under the Act.

Section 8.2 Management of Business

No Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operation, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 8.3 Outside Activities of Limited Partners

Subject to Section 7.5 hereof, and subject to any agreements entered into pursuant to Section 7.6.C hereof and to any other agreements entered into by a Limited Partner or its Affiliates with the Partnership or a Subsidiary, any Limited Partner (other than the General Partner) and any officer, director,

employee, agent, trustee, Affiliate or shareholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct or indirect competition with the Partnership. Neither the Partnership nor any Partners shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. None of the Limited Partners (other than the General Partner) nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any other Person (other than the General Partner to the extent expressly provided herein), and such Person shall have no obligation pursuant to this Agreement to offer any interest in any such business ventures to the Partnership, any Limited Partner or any such other Person, even if such opportunity is of a character which, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such Person.

Section 8.4 Return of Capital

Except pursuant to the right of redemption set forth in Section 8.6 below, no Limited Partner shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein. No Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee either as to the return of Capital Contributions (except as permitted by Section 4.2.A hereof) or, except to the extent provided by Exhibit C hereto or as permitted by Sections 4.2.A, 5.1.B(i) hereof or otherwise expressly provided in this Agreement, as to profits, losses, distributions or credits.

Section 8.5 Rights of Limited Partners Relating to the Partnership

A. General. In addition to other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.D below, each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon written demand with a statement of the purpose of such demand and at such Limited Partner's own expense:

(1) to obtain a copy of the most recent annual and quarterly reports filed with the Securities and Exchange Commission by the General Partner Entity pursuant to the Exchange Act;

(2) to obtain a copy of the Partnership's federal, state and local income tax returns for each Partnership Year;

(3) to obtain a current list of the name and last known business, residence or mailing address of each Partner; and

(4) to obtain a copy of this Agreement and the Certificate and all amendments thereto, together with copies of all powers of attorney pursuant to which this Agreement, the Certificate and all amendments thereto have been executed.

B. Notice of Conversion Factor. The Partnership shall notify each Limited Partner upon request of the then current Conversion Factor and any changes that have been made thereto.

C. Notice of Extraordinary Transaction of the General Partner Entity. The General Partner Entity shall not make any extraordinary distributions of cash or property to its shareholders or effect a merger (including, without limitation, a triangular merger), a sale of all or substantially all of its assets or any other similar extraordinary transaction without notifying the Limited Partners of its intention to make such distribution or effect such merger, sale or other extraordinary transaction at least twenty (20) days prior to the record date to determine shareholders eligible to receive such distribution or to vote upon the approval of such merger, sale or other

extraordinary transaction (or, if no such record date is applicable, at least twenty (20) days before consummation of such merger, sale or other extraordinary transaction). This provision for such notice shall not be deemed (i) to permit any transaction that otherwise is prohibited by this Agreement or requires a Consent of the Partners or (ii) to require a Consent of the Limited Partners to a transaction that does not otherwise require Consent under this Agreement. Each Limited Partner agrees, as a condition to the receipt of the notice pursuant hereto, to keep confidential the information set forth therein until such time as the General Partner Entity has made public disclosure thereof and to use such information during such period of confidentiality solely for purposes of determining whether or not to exercise the Redemption Right; provided, however, that a Limited Partner may disclose such information to its attorney, accountant and/or financial advisor for purposes of obtaining advice with respect to such exercise so long as such attorney, accountant and/or financial advisor agrees to receive and hold such information subject to this confidentiality requirement.

D. Confidentiality. Notwithstanding any other provision of this Section 8.5, the General Partner may keep confidential from the Limited Partners, for such period of time as the General Partner determines in its sole and absolute discretion to be reasonable, any information that (i) the General Partner reasonably believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or could damage the Partnership or its business or (ii) the Partnership is required by law or by agreements with unaffiliated third parties to keep confidential.

Section 8.6 Redemption Right

A. General. (i) Subject to Section 8.6.C below, on or after the date one (1) year (or, in the case of Partnership Units owned by a Restricted Partner on or before the Effective Date, two (2) years) after the Effective Date (or, if later, the date of the issuance of a Partnership Unit to a Limited Partner pursuant to Article IV hereof) which one-year (or two-year, if applicable) period shall commence upon the issuance of such Partnership Unit regardless of whether such Partnership Unit is designated upon issuance as a Class A Unit, a Class B Unit, a Class C Unit, a Class D Unit, a Class E Unit or otherwise and shall include any class A Unit issued in exchange for such Partnership Unit pursuant to Section 4.2.D), or on or after such date prior to the expiration of such one-year period or two-year period, as applicable, as the General Partner, in its sole and absolute discretion, designates with respect to any or all Partnership Units then outstanding, the holder of a Partnership Unit (if other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) shall have the right (the "Redemption Right") to require the Partnership to redeem such Partnership Unit on a Specified Redemption Date and at a redemption price equal to and in the form of the Cash Amount to be paid by the Partnership. In addition, at any time commencing on the ninety-first (91st) day after the Effective Date and continuing until (but not after) the first anniversary of the Effective Date, any holder of a Class E Unit shall have the right (which shall also be deemed a Redemption Right hereunder) to require the Partnership to redeem such Partnership Unit on a Specified Redemption Date and at a redemption price equal to and in the form of ninety-four percent (94%) of the Cash Amount to be paid by the Partnership. Any such Redemption Right shall be exercised pursuant to a Notice of Redemption delivered to the Partnership (with a copy to the General Partner) by the Limited Partner who is exercising the Redemption Right (the "Redeeming Partner"). A Limited Partner may not exercise the Redemption Right for less than one thousand (1,000) Partnership Units or, if such Redeeming Partner holds less than one thousand (1,000) Partnership Units, for less than all of the Partnership Units held by such Redeeming Partner.

(ii) The Redeeming Partner shall have no right with respect to any Partnership Units so redeemed to receive any distributions paid after the Specified Redemption Date.

(iii) The Assignee of any Limited Partner may exercise the rights of such Limited Partner pursuant to this Section 8.6, and such Limited Partner shall be deemed to have assigned such rights to such Assignee and

shall be bound by the exercise of such rights by such Limited Partner's Assignee. In connection with any exercise of the such rights by such Assignee on behalf of such Limited Partner, the Cash Amount shall be paid by the Partnership directly to such Assignee and not to such Limited Partner.

(iv) In the event that the General Partner provides notice to the Limited Partners, pursuant to Section 8.5.C hereof, the Redemption Right shall be exercisable, subject to the one-year limitation contained in Section 8.6(a)(i) (and, for purposes of this clause (iv), the two-year limitation imposed on Restricted Partners under this Section 8.6 shall be shortened to one year after the Effective Date beyond the first anniversary of the Effective Date), during the period commencing on the date on which the General Partner provides such notice and ending on the record date to determine shareholders eligible to receive such distribution or to vote upon the approval of such merger, sale or other extraordinary transaction (or, if no such record date is applicable, the date that is twenty (20) days after the date the General Partner provides such notice pursuant to Section 8.5.C hereof). In the event that this subparagraph (iv) applies, the Specified Redemption Date shall be the sooner of (1) the tenth (10th) Business Day after the Partnership receives the Redemption Notice or (2) the Business Day immediately preceding the record date to determine shareholders eligible to receive a distribution or vote on approval; provided that if such time determined pursuant to clause (1) or (2) above occurs in less than ten (10) Business Days and the Partnership elects to redeem the subject Partnership Units for cash, the Partnership will have up to ten (10) Business Days from receipt of the Redemption Notice to deliver payment in respect of such Partnership Units.

(v) Notwithstanding the terms of Section 8.6.A(i) or anything else in this Agreement to the contrary, if there shall have been a merger or consolidation of the General Partner, or a sale or all or substantially all of the assets of the General Partner as an entirety, and in either case, in connection therewith, the shareholders of the General Partner are obligated to accept cash and/or debt obligations in full or partial consideration for their Shares, then the portion of the Redemption Amount per Partnership Unit that corresponds to the portion of Value of the total consideration receivable for one Share multiplied by the Conversion Factor (a "Unit Equivalent") that is required to be accepted in cash and/or debt obligations shall thereafter be an amount of cash equal to the sum of (i) the cash payable for a Unit Equivalent on the date of the closing of such merger, consolidation or sale and (ii) the Value on the date of the closing of such merger, consolidation, or sale of the debt obligations to be received with respect to a Unit Equivalent, adjusted as set forth below (this amount of cash is referred to as the "Required Cash Payment") (the percentage that the Required Cash Payment represents of the total Redemption Amount with respect to a Partnership Unit, determined as of such closing date, is referred to as the "Pro Rata Portion"). The balance of the Redemption Amount per Partnership Unit shall be determined as provided for in the definitions of Conversion Factor, Redemption Amount, Shares Amount, Cash Amount and Value. In the event that the merger, consolidation or sale giving rise to the application of this clause (v) occurs at a time when there shall be any Persons the consent of whom is required pursuant to the definition of "Consent of Certain Limited Partners", then the Required Cash Payment shall be increased by a cash payment to the extent required to provide such Limited Partner, upon the exercise of its Redemption Right with respect to a Partnership Unit, with an Internal Rate of Return on such Required Cash Payment for the period from the date of such merger, consolidation or sale to the date of the redemption of the Partnership Unit, when taken together with the Pro Rata Portion of all distributions received by such Limited Partner with respect to such Partnership Unit from and after the effective date of the merger, consolidation or sale equal to the Treasury Constant Yield. As used herein, the "Treasury Constant Yield" shall mean the arithmetic mean of the rates published as "Treasury Constant Maturities" as of 5:00 p.m., New York time, for the five business days preceding the effective date of the merger, consolidation or sale, as shown on the USD screen of the Telerate service (or if such service is not available, under Section 504 in the weekly statistical release designated H.15(519) (or any successor publication) published by the Board of Governors of the Federal Reserve System, for "On the Run" U.S. Treasury obligations corresponding to the twentieth anniversary of the date hereof). If no such maturity shall so exactly correspond, yields for the two most closely corresponding published maturities shall be calculated pursuant to the foregoing sentence and the Treasury Constant Yield shall be interpolated or extrapolated (as applicable) from such yields on a straight-line basis (rounding, in the case of relevant periods, to the nearest month). As used herein, "Internal Rate of Return"

shall mean, with respect to a rate of return of the Constant Treasury Yield, commencing on the effective date of the merger, consolidation or sale, compounded quarterly to the extent not paid on a current basis, taking into account the timing and amounts of this Pro Rata Portion of all distributions by the Partnership to such Partner with respect to such Partnership Unit; for purposes of computing the Internal Rate of Return, distributions to a Partner at any time during a month shall be deemed to be made and received on the day actually made.

B. General Partner Assumption of Right. (i) If a Limited Partner has delivered a Notice of Redemption (other than a Notice of Redemption relating to a Class E Unit given prior to the first anniversary of the Effective Date), the General Partner may, in its sole and absolute discretion (subject to any limitations on ownership and transfer of Shares set forth in the Declaration of Trust), elect to assume directly and satisfy a Redemption Right by paying to the Redeeming Partner either the Cash Amount or the Shares Amount, as the General Partner determines in its sole and absolute discretion (provided that payment of the Redemption Amount in the form of Shares shall be in Shares registered under Section 12 of the Exchange Act and listed for trading on the exchange or national market on which the Shares are Publicly Traded, and provided, further, that in the event that the Shares are not Publicly Traded at the time a Redeeming Partner exercises its Redemption Right, the Redemption Amount shall be paid only in the form of the Cash Amount unless the Redeeming Partner, in its sole and absolute discretion, consents to payment of the Redemption Amount in the form of the Shares Amount), on the Specified Redemption Date, whereupon the General Partner shall acquire the Partnership Units offered for redemption by the Redeeming Partner and shall be treated for all purposes of this Agreement as the owner of such Partnership Units and such Partnership Units shall automatically convert to Class D Units upon acquisition by the General Partner. Unless the General Partner, in its sole and absolute discretion, shall exercise its right to assume directly and satisfy the Redemption Right, the General Partner shall not have any obligation to the Redeeming Partner or to the Partnership with respect to the Redeeming Partner's exercise of the Redemption Right. In the event the General Partner shall exercise its right to satisfy the Redemption Right in the manner described in the first sentence of this Section 8.6.B and shall fully perform its obligations in connection therewith, the Partnership shall have no right or obligation to pay any amount to the Redeeming Partner with respect to such Redeeming Partner's exercise of the Redemption Right, and each of the Redeeming Partner, the Partnership and the General Partner shall, for federal income tax purposes, treat the transaction between the General Partner and the Redeeming Partner as a sale of the Redeeming Partner's Partnership Units to the General Partner. Nothing contained in this Section 8.6.B shall imply any right of the General Partner to require any Limited Partner to exercise the Redemption Right afforded to such Limited Partner pursuant to Section 8.6.A above.

(ii) In the event that the General Partner determines to pay the Redeeming Partner the Redemption Amount in the form of Shares, the total number of Shares to be paid to the Redeeming Partner in exchange for the Redeeming Partner's Partnership Units shall be the applicable Shares Amount. In the event this amount is not a whole number of Shares, the Redeeming Partner shall be paid (i) that number of Shares which equals the nearest whole number less than such amount plus (ii) an amount of cash which the General Partner determines, in its reasonable discretion, to represent the fair value of the remaining fractional Share which would otherwise be payable to the Redeeming Partner.

(iii) Each Redeeming Partner agrees to execute such documents as the General Partner may reasonably require in connection with the issuance of Shares upon exercise of the Redemption Right.

C. Exceptions to Exercise of Redemption Right. Notwithstanding the provisions of Sections 8.6.A and 8.6.B above, a Partner shall not be entitled to exercise the Redemption Right pursuant to Section 8.6.A above if (but only as long as) the delivery of Shares to such Partner on the Specified Redemption Date (i) would be prohibited under the Declaration of Trust, or (ii) as long as the Shares are Publicly Traded, would be prohibited under applicable federal or state securities laws or regulations (assuming the General Partner would in fact assume and satisfy the Redemption Right).

D. No Liens on Partnership Units Delivered for Redemption. Each Limited Partner covenants and agrees with the General Partner that all Partnership Units delivered for redemption shall be delivered to the Partnership or the General Partner, as the case may be, free and clear of all liens, and, notwithstanding anything contained herein to the contrary, neither the General Partner nor the Partnership shall be under any obligation to acquire Partnership Units which are or may be subject to any liens. Each Limited Partner further agrees that, in the event any state or local property transfer tax is payable as a result of the transfer of its Partnership Units to the Partnership or the General Partner, such Limited Partner shall assume and pay such transfer tax.

E. Additional Partnership Interests. In the event that the Partnership issues Partnership Interests to any Additional Limited Partner pursuant to Article IV hereof, the General Partner shall make such amendments to this Section 8.6 as it determines are necessary to reflect the issuance of such Partnership Interests (including setting forth any restrictions on the exercise of the Redemption Right with respect to such Partnership Interests).

F. Transfer Tax Limitations. Notwithstanding anything herein to the contrary, until the first business day following the second anniversary of the Effective Date, the Partnership and the General Partner shall have the right, in connection with a Limited Partner's exercise of its Redemption Right:

(1) to condition the payment of the redemption price under Section 8.6(A)(i) upon the General Partner's sole satisfaction that any New York Real Estate Transfer Tax and New York City Real Property Transfer Tax payable by reason of such Limited Partner's redemption prior to the expiration of two years following the Effective Date shall have been paid in full or that adequate provision has been made therefor (as determined by the General Partner in its sole discretion); and

(2) if the General Partner elects under Section 8.6.B to pay the Shares Amount, then such Limited Partner shall be obligated, as a condition to the effective exercise of the Redemption Right, to escrow with the General Partner an amount equal to the New York Real Estate Transfer Tax and New York City Real Property Transfer Tax that would have been payable as of the exercise of the Redemption Right, assuming such Limited Partner transferred the Share Amount received on such date prior to the expiration of two years following the Effective Date. Such escrow may be used by the General Partner or the Limited Partner who provided such escrow for the payment of the taxes described in this subparagraph (2) above, provided, in the latter event, the General Partner shall have determined, in its good faith discretion, that such tax will be paid. Such escrow shall be released to the Limited Partner, to the extent not used, after the expiration of the 2-year period if the General Partner shall determine in its sole discretion exercised in good faith that no such transfer tax shall have been due and payable.

Section 8.7 Right of Offset

The General Partner shall have the right to offset any amounts owed to the Partnership or the General Partner by any Limited Partner pursuant to (i) any written agreement between such Limited Partner and the Partnership, the General Partner or an Affiliate of either of them pursuant to which such Limited Partner acquired Partnership Units or (ii) the provisions of Section 5.2, Section 8.6.F or Section 11.7 of this Agreement, against any amounts owed to such Limited Partner by the Partnership or the General Partner hereunder, including the right to cancel or acquire, as applicable, the Units held by such Limited Partner, based on the Cash Amount that would be payable therefor, assuming a redemption as of the date of cancellation or acquisition, as applicable.

In exercising the foregoing offset rights, the General partner shall be required to give a Limited Partner, in the case of an offset against a distribution, five (5) days prior written notice (provided, however, that if a distribution is to be made at any time during such five day period the General Partner may retain the distribution payable to any Limited Partner to whom such a written notice has been given to the extent of the amount owed by such limited Partner pending the passage of such period and upon the passage of such period without payment of all amounts owed by the applicable Limited Partner, the General Partner shall be entitled to the right of offset described above, it being understood that if the Limited Partner pays in full the amount owed the General Partner shall promptly release the retained distribution to such Limited Partner) and, in the case of an offset against Partnership Units (through cancellation or acquisition), ten (10) days' prior written notice, in each case of the amount owed (determined as of a date reasonably close to the date of such notice) and the proposed offset and the Limited Partner has not paid the amount owed within such period.

ARTICLE IX
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1 Records and Accounting

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including, without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 9.3 below. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on, or be in the form of, punch cards, magnetic tape, computer disk, photographs, micrographics or any other information storage device, provided that the records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles.

Section 9.2 Fiscal Year

The fiscal year of the Partnership shall be the calendar year.

Section 9.3 Reports

A. Annual Reports. As soon as practicable, but in no event later than the date on which the General Partner Entity mails its annual report to its shareholders, the General Partner shall cause to be mailed to each Limited Partner an annual report, as of the close of the most recently ended Partnership Year, containing financial statements of the Partnership, or of the General Partner Entity if such statements are prepared solely on a consolidated basis with the Partnership, for such Partnership Year, presented in accordance with generally accepted accounting principles, such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner Entity.

B. Quarterly Reports. If and to the extent that the General Partner Entity mails quarterly reports to its shareholders, as soon as practicable, but in no event later than the date on which such reports are mailed, the General Partner shall cause to be mailed to each Limited Partner a report containing unaudited financial statements, as of the last day of such quarter, of the Partnership, or of the General Partner Entity if such statements are prepared solely on a consolidated basis with the Partnership, and such other information as may be required by applicable law or regulation, or as the General Partner determines to be appropriate.

ARTICLE X
TAX MATTERS

Section 10.1 Preparation of Tax Returns

The General Partner shall arrange for the preparation and timely filing of all returns of Partnership income, gains, deductions, losses and other items required of the Partnership for federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety (90) days of the close of each taxable year, the tax information reasonably required by Limited Partners for federal and state income tax reporting purposes.

Section 10.2 Tax Elections

Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code; provided, that the General Partner shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder. The General Partner shall have the right to seek to revoke any such election (including, without limitation, the election under Section 754 of the Code) upon the General Partner's determination in its sole and absolute discretion that such revocation is in the best interests of the Partners.

Section 10.3 Tax Matters Partner

A. General. The General Partner shall be the "tax matters partner" of the Partnership for federal income tax purposes. Pursuant to Section 6223(c)(3) of the Code, upon receipt of notice from the IRS of the beginning of an administrative proceeding with respect to the Partnership, the tax matters partner shall furnish the IRS with the name, address, taxpayer identification number and profit interest of each of the Limited Partners and any Assignees; provided, that such information is provided to the Partnership by the Limited Partners.

B. Powers. The tax matters partner is authorized, but not required:

(1) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"), and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (i) who (within the time prescribed pursuant to the Code and Regulations) files a statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner or (ii) who is a "notice partner" (as defined in Section 6231(a)(8) of the Code) or a member of a "notice group" (as defined in Section 6223(b)(2) of the Code);

(2) in the event that a notice of a final administrative adjustment at the Partnership level of any item required to be taken into account by a Partner for tax purposes (a "final adjustment") is mailed to the tax matters partner, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court or the filing of a complaint for refund with the United States Claims Court or the District Court of the United States for the district in which the Partnership's principal place of business is located;

(3) to intervene in any action brought by any other Partner for judicial review of a final adjustment;

(4) to file a request for an administrative adjustment with the IRS at any time and, if any part of such request is not allowed by the IRS, to file an appropriate pleading (petition or complaint) for judicial review with respect to such request;

(5) to enter into an agreement with the IRS to extend the period for assessing any tax which is attributable to any item required to be taken into account by a Partner for tax purposes, or an item affected by such item; and

(6) to take any other action on behalf of the Partners of the Partnership in connection with any tax audit or judicial review proceeding to the extent permitted by applicable law or regulations.

The taking of any action and the incurring of any expense by the tax matters partner in connection with any such proceeding, except to the extent required by law, is a matter in the sole and absolute discretion of the tax matters partner and the provisions relating to indemnification of the General Partner set forth in Section 7.7 hereof shall be fully applicable to the tax matters partner in its capacity as such.

C. Reimbursement. The tax matters partner shall receive no compensation for its services. All third party costs and expenses incurred by the tax matters partner in performing its duties as such (including legal and accounting fees and expenses) shall be borne by the Partnership. Nothing herein shall be construed to restrict the Partnership from engaging an accounting firm or a law firm to assist the tax matters partner in discharging its duties hereunder, as long as the compensation paid by the Partnership for such services is reasonable.

Section 10.4 Organizational Expenses

The Partnership shall elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a sixty (60) month period as provided in Section 709 of the Code.

Section 10.5 Withholding

Each Limited Partner hereby authorizes the Partnership to withhold from or pay on behalf of or with respect to such Limited Partner any amount of federal, state, local, or foreign taxes that the General Partner determines that the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Section 1441, 1442, 1445, or 1446 of the Code. Any amount paid on behalf of or with respect to a Limited Partner shall constitute a recourse loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within fifteen (15) days after notice from the General Partner that such payment must be made unless (i) the Partnership withholds such payment from a distribution which would otherwise be made to the Limited Partner or (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the available funds of the Partnership which would, but for such payment, be distributed to the Limited Partner. Any amounts withheld pursuant to the foregoing clauses (i) or (ii) shall be treated as having been distributed to such Limited Partner. Each Limited Partner hereby unconditionally and irrevocably grants to the Partnership a security interest in such Limited Partner's Partnership Interest to secure such Limited Partner's obligation to pay to the Partnership any amounts required to be paid pursuant to this Section 10.5. In the event that a Limited Partner fails to pay any amounts

owed to the Partnership pursuant to this Section 10.5 when due, the General Partner may, in its sole and absolute discretion, elect to make the payment to the Partnership on behalf of such defaulting Limited Partner, and in such event shall be deemed to have loaned such amount to such defaulting Limited Partner and shall succeed to all rights and remedies of the Partnership as against such defaulting Limited Partner (including, without limitation, the right to receive distributions). Any amounts payable by a Limited Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal, plus four (4) percentage points (but not higher than the maximum lawful rate) from the date such amount is due (i.e., fifteen (15) days after demand) until such amount is paid in full. Each Limited Partner shall take such actions as the Partnership or the General Partner shall request in order to perfect or enforce the security interest created hereunder.

ARTICLE XI
TRANSFERS AND WITHDRAWALS

Section 11.1 Transfer

A. Definition. The term "transfer," when used in this Article XI with respect to a Partnership Interest or a Partnership Unit, shall be deemed to refer to a transaction by which the General Partner purports to assign all or any part of its General Partnership Interest to another Person or by which a Limited Partner purports to assign all or any part of its Limited Partnership Interest to another Person, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise. The term "transfer" when used in this Article XI does not include any redemption or repurchase of Partnership Units by the Partnership from a Partner (including the General Partner) or acquisition of Partnership Units from a Limited Partner by the General Partner pursuant to Section 8.6 hereof or otherwise. No part of the interest of a Limited Partner shall be subject to the claims of any creditor, any spouse for alimony or support, or to legal process, and no part of the interest of a Limited Partner may be voluntarily or involuntarily alienated or encumbered except as may be specifically provided for in this Agreement.

B. General. No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article XI. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article XI shall be null and void.

Section 11.2 Transfers of Partnership Interests of General Partner

A. Except for transfers of Partnership Units to the Partnership as provided in Section 7.5 or Section 8.6 hereof, the General Partner may not transfer any of its Partnership Interest (including both its General Partnership Interest and its Limited Partnership Interest) except in connection with a transaction described in Section 11.2.B below or as otherwise expressly permitted under this Agreement), nor shall the General Partner withdraw as General Partner except in connection with a transaction described in Section 11.2.B below.

B. The General Partner shall not engage in any merger (including a triangular merger), consolidation or other combination with or into another person, sale of all or substantially all of its assets or any reclassification, recapitalization or change of the terms of any outstanding Common Shares (other than a change in par value, or from par value to no par value, or as a result of a subdivision or combination as described in the definition of "Conversion Factor") ("Termination Transaction"), unless , in connection therewith, all Limited Partners (other than the General Partner, the General Partner Entity and any entities controlled by either of them) will have the right to elect to receive, or, subject to Section 7.11.C., will receive, for each Partnership Unit an amount of cash, securities, or other property equal to the product of the Conversion Factor and the greatest amount of cash, securities or other property paid to a holder of Shares, if any, corresponding to such Partnership

Unit in consideration of one such Share; provided, that if, in connection with the Termination Transaction, a purchase, tender or exchange offer shall have first been made to and accepted by the holders of more than fifty percent (50%) of the outstanding Shares and a holder of Partnership Units did not receive advance written notice (whether from the General Partner, the offeror or otherwise) of the offer and an opportunity to redeem its Partnership Units substantially in accordance with the provisions in Section 8.6, then such holder of Partnership Units shall receive, or shall have the right to elect to receive, the greatest amount of cash, securities, or other property which such holder would have received had it exercised the Redemption Right and received Shares in exchange for its Partnership Units immediately prior to such purchase, tender or exchange offer and had thereupon accepted such purchase, tender or exchange offer and to the extent required by the terms thereof applicable to all other holders of Shares participating in the purchase, tender or exchange offer, participated in all other phases of such Termination Transaction as well.

Section 11.3 Limited Partners' Rights to Transfer

A. General. Subject to the provisions of Sections 11.3.C, 11.3.D, 11.3.E, 11.4 and 11.6 below, prior to the first anniversary (or, in the case of a Restricted Partner, the second anniversary, subject, in the case of Mr. Mendik or Mr. Greenbaum, to any shorter period that may apply as a result of Section _____ of his employment agreement with the Partnership) of the Effective Date, the Limited Partnership Interest of any Partner may not be transferred in whole or in part, directly, indirectly or beneficially, without the prior written consent of the General Partner, which consent the General Partner may withhold in its sole discretion; provided, however, that it is expressly understood that subject to the provisions of Sections 11.3.C, 11.3.D, 11.3.E, 11.4 and 11.6 below each Limited Partner will be permitted to make one or more transfers to any Affiliated Transferee of such Limited Partner. Commencing on the first anniversary after the Effective Date (or (x) in the case of a holder of Class E Units but only with respect to such Class E Units, the ninety-first (91st) day after the Effective Date, and (y) in the case of a Restricted Partner, the second anniversary after the Effective Date, subject, in the case of Mr. Mendik or Mr. Greenbaum, to any shorter period that may apply as a result of Section _____ of his employment agreement with the Partnership but in no event less than one (1) year), and subject to the provisions of Sections 11.3.C, 11.3.D, 11.3.E, 11.4 and 11.6 below, a Limited Partner (other than the General Partner or the General Partner Entity or any Subsidiary of either of them) may transfer all or any portion of its Limited Partnership Interest to any person, provided such Limited Partner obtains the prior written consent of the General Partner, which consent may be withheld only if the General Partner determines in its sole discretion exercised in good faith that such a transfer would cause the Partnership or any or all of the Partners other than the Limited Partner seeking to transfer its rights as a Limited Partner to be subject to tax liability as a result of such transfer. Any purported transfer attempted in violation of the foregoing sentence shall be deemed void ab initio and shall have no force or effect.

B. Incapacitated Limited Partners. If a Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator or receiver of such Limited Partner's estate shall have all the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners for the purpose of settling or managing the estate and such power as the Incapacitated Limited Partner possessed to transfer all or any part of its interest in the Partnership. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C. No Transfers Violating Securities Laws. The General Partner may prohibit any transfer of Partnership Units by a Limited Partner if, in the opinion of legal counsel to the Partnership, such transfer would require filing of a registration statement under the Securities Act or would otherwise violate any federal, or state securities laws or regulations applicable to the Partnership or the Partnership Unit.

D. No Transfers Affecting Tax Status of Partnership. No transfer of Partnership Units by a Limited Partner (including a redemption or exchange pursuant to Section 8.6 hereof) may be made to any

Person if (i) in the opinion of legal counsel for the Partnership, it would result in the Partnership being treated as an association taxable as a corporation for federal income tax purposes or would result in a termination of the Partnership for federal income tax purposes (except as a result of the redemption or exchange for Shares of all Partnership Units held by all Limited Partners other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity or pursuant to a transaction not prohibited under Section 11.2 hereof), (ii) in the opinion of legal counsel for the Partnership, it would adversely affect the ability of the General Partner Entity or the General Partner (as applicable) to continue to qualify as a REIT or would subject the General Partner Entity or the General Partner (as applicable) to any additional taxes under Section 857 or Section 4981 of the Code or (iii) such transfer is effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code.

E. No Transfers to Holders of Nonrecourse Liabilities. No pledge or transfer of any Partnership Units may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership whose loan constitutes a Nonrecourse Liability without the consent of the General Partner, in its sole and absolute discretion; provided, that as a condition to such consent the lender will be required to enter into an arrangement with the Partnership and the General Partner to exchange or redeem for the Redemption Amount any Partnership Units in which a security interest is held simultaneously with the time at which such lender would be deemed to be a partner in the Partnership for purposes of allocating liabilities to such lender under Section 752 of the Code.

Section 11.4 Substituted Limited Partners

A. Consent of General Partner. No Limited Partner shall have the right to substitute a transferee as a Limited Partner in its place without the consent of the General Partner to the admission of a transferee of the interest of a Limited Partner pursuant to this Section 11.4 as a Substituted Limited Partner, which consent may be given or withheld by the General Partner in its sole and absolute discretion. The General Partner's failure or refusal to permit a transferee of any such interests to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or any Partner.

B. Rights of Substituted Limited Partner. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article XI shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement. The admission of any transferee as a Substituted Limited Partner shall be conditioned upon the transferee executing and delivering to the Partnership an acceptance of all the terms and conditions of this Agreement (including, without limitation, the provisions of Section 15.11 hereof and such other documents or instruments as may be required to effect the admission).

C. Amendment and Restatement of Exhibit A. Upon the admission of a Substituted Limited Partner, the General Partner shall amend and restate Exhibit A hereto to reflect the name, address, Capital Account, number of Partnership Units, and Percentage Interest of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address, Capital Account and Percentage Interest of the predecessor of such Substituted Limited Partner.

Section 11.5 Assignees

If the General Partner, in its sole and absolute discretion, does not consent to the admission of any permitted transferee under Section 11.3 above as a Substituted Limited Partner, as described in Section 11.4 above, such transferee shall be considered an Assignee for purposes of this Agreement, subject, however, to Section 11.7 hereof. An Assignee shall be entitled to all the rights of an assignee of a limited partnership interest

under the Act, including the right to receive distributions from the Partnership and the share of Net Income, Net Losses, gain, loss and Recapture Income attributable to the Partnership Units assigned to such transferee, and shall have the rights granted to the Limited Partners under Section 8.6 hereof, but shall not be deemed to be a holder of Partnership Units for any other purpose under this Agreement, and shall not be entitled to vote such Partnership Units in any matter presented to the Limited Partners for a vote (such Partnership Units being deemed to have been voted on such matter in the same proportion as all other Partnership Units held by Limited Partners are voted). In the event any such transferee desires to make a further assignment of any such Partnership Units, such transferee shall be subject to all the provisions of this Article XI to the same extent and in the same manner as any Limited Partner desiring to make an assignment of Partnership Units.

Section 11.6 General Provisions

A. Withdrawal of Limited Partner. No Limited Partner may withdraw from the Partnership other than as a result of a permitted transfer of all of such Limited Partner's Partnership Units in accordance with this Article XI or pursuant to redemption of all of its Partnership Units under Section 8.6 hereof.

B. Termination of Status as Limited Partner. Any Limited Partner who shall transfer all of its Partnership Units in a transfer permitted pursuant to this Article XI or pursuant to redemption of all of its Partnership Units under Section 8.6 hereof shall cease to be a Limited Partner.

C. Timing of Transfers. Transfers pursuant to this Article XI may only be made on the first day of a fiscal quarter of the Partnership, unless the General Partner otherwise agrees.

D. Allocations. If any Partnership Interest is transferred during any quarterly segment of the Partnership's fiscal year in compliance with the provisions of this Article XI or redeemed or transferred pursuant to Section 8.6 hereof, Net Income, Net Losses, each item thereof and all other items attributable to such interest for such fiscal year shall be divided and allocated between the transferor Partner and the transferee Partner by taking into account their varying interests during the fiscal year in accordance with Section 706(d) of the Code, using the interim closing of the books method (unless the General Partner, in its sole and absolute discretion, elects to adopt a daily, weekly, or a monthly proration period, in which event Net Income, Net Losses, each item thereof and all other items attributable to such interest for such fiscal year shall be prorated based upon the applicable method selected by the General Partner). Solely for purposes of making such allocations, each of such items for the calendar month in which the transfer or redemption occurs shall be allocated to the Person who is a Partner as of midnight on the last day of said month. All distributions attributable to any Partnership Unit with respect to which the Partnership Record Date is before the date of such transfer, assignment or redemption shall be made to the transferor Partner or the Redeeming Partner, as the case may be, and, in the case of a transfer or assignment other than a redemption, all distributions thereafter attributable to such Partnership Unit shall be made to the transferee Partner.

E. Additional Restrictions. In addition to any other restrictions on transfer herein contained, including without limitation the provisions of this Article XI, in no event may any transfer or assignment of a Partnership Interest by any Partner (including pursuant to Section 8.6 hereof) be made without the express consent of the General Partner, in its sole and absolute discretion, (i) to any person or entity who lacks the legal right, power or capacity to own a Partnership Interest; (ii) in violation of applicable law; (iii) of any component portion of a Partnership Interest, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Partnership Interest; (iv) if in the opinion of legal counsel to the Partnership such transfer would cause a termination of the Partnership for federal or state income tax purposes (except as a result of the redemption or exchange for Shares of all Partnership Units held by all Limited Partners or pursuant to a transaction not prohibited under Section 11.2 hereof); (v) if in the opinion of counsel to the Partnership, such transfer would cause the Partnership to cease to be classified as a partnership for federal income tax purposes

(except as a result of the redemption or exchange for Shares of all Partnership Units held by all Limited Partners or pursuant to a transaction not prohibited under Section 11.2 hereof); (vi) if such transfer would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in Section 3(14) of ERISA) or a "disqualified person" (as defined in Section 4975(c) of the Code); (vii) if such transfer would, in the opinion of counsel to the Partnership, cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.1-101; (viii) if such transfer requires the registration of such Partnership Interest pursuant to any applicable federal or state securities laws; (ix) if such transfer is effectuated through an "established securities market" or a "secondary market" (or the substantial equivalent thereof) within the meaning of Section 7704 of the Code or such transfer causes the Partnership to become a "publicly traded partnership," as such term is defined in Section 469(k)(2) or Section 7704(b) of the Code; (x) if such transfer subjects the Partnership to regulation under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or the Employee Retirement Income Security Act of 1974, each as amended; (xi) if the transferee or assignee of such Partnership Interest is unable to make the representations set forth in Section 15.15 hereof or such transfer could otherwise adversely affect the ability of the General Partner Entity or the General Partner (as applicable) to remain qualified as a REIT; or (xii) if in the opinion of legal counsel for the Partnership, such transfer would adversely affect the ability of the General Partner Entity or the General Partner (as applicable) to continue to qualify as a REIT or subject the General Partner Entity or the General Partner (as applicable) to any additional taxes under Section 857 or Section 4981 of the Code.

F. Avoidance of "Publicly Traded Partnership" Status. The General Partner shall (a) use commercially reasonable efforts (as determined by it in its sole discretion exercised in good faith) to monitor the transfers of interests in the Partnership to determine (i) if such interests are being traded on an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code and (ii) whether additional transfers of interests would result in the Partnership being unable to qualify for at least one of the "safe harbors" set forth in Regulations Section 1.7704-1 (or such other guidance subsequently published by the IRS setting forth safe harbors under which interests will not be treated as "readily tradable on a secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code) (the "Safe Harbors") and (b) take such steps as it believes are commercially reasonable and appropriate (as determined by it in its sole discretion exercised in good faith) to prevent any trading of interests or any recognition by the Partnership of transfers made on such markets and, except as otherwise provided herein, to insure that at least one of the Safe Harbors is met.

Section 11.7 Payment of Incremental Tax

Notwithstanding anything herein to the contrary, until the business day immediately following the second anniversary of the Effective Date, no Person shall be admitted as a Substitute Limited Partner and no person shall be considered an Assignee for purposes of this Agreement, and any transaction or other form of conveyance or disposition of any sort whatsoever purporting to transfer an interest in this Agreement or in the Partnership or substitute a limited partner shall be null and void and of no force and effect unless concurrently with such purported transfer the transferor shall establish to the sole satisfaction of the General Partner exercised in good faith that any New York State Transfer Tax and/or New York City Real Estate Transfer Tax payable in connection with the purported transfer by reason of the transferor's failure to hold for a two-year period the Partnership Units issued as of the Effective Date shall have been paid. A Limited Partner shall be obligated to pay the transfer taxes described above in this Section 11.7.

ARTICLE XII
ADMISSION OF PARTNERS

Section 12.1 Admission of Successor General Partner

A successor to all of the General Partner's General Partnership Interest pursuant to Section 11.2 hereof who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective upon such transfer. Any such transferee shall carry on the business of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner's executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission.

Section 12.2 Admission of Additional Limited Partners

A. General. No Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent shall be given or withheld in the General Partner's sole and absolute discretion. A Person who makes a Capital Contribution to the Partnership in accordance with this Agreement, including, without limitation, pursuant to Section 4.1.C hereof, or who exercises an option to receive Partnership Units shall be admitted to the Partnership as an Additional Limited Partner only with the consent of the General Partner and only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 15.11 hereof and (ii) such other documents or instruments as may be required in the discretion of the General Partner in order to effect such Person's admission as an Additional Limited Partner. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the consent of the General Partner to such admission.

B. Allocations to Additional Limited Partners. If any Additional Limited Partner is admitted to the Partnership on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items allocable among Partners and Assignees for such Partnership Year shall be allocated among such Additional Limited Partner and all other Partners and Assignees by taking into account their varying interests during the Partnership Year in accordance with Section 706(d) of the Code, using the interim closing of the books method (unless the General Partner, in its sole and absolute discretion, elects to adopt a daily, weekly or monthly proration method, in which event Net Income, Net Losses, and each item thereof would be prorated based upon the applicable period selected by the General Partner). Solely for purposes of making such allocations, each of such items for the calendar month in which an admission of any Additional Limited Partner occurs shall be allocated among all the Partners and Assignees including such Additional Limited Partner. All distributions with respect to which the Partnership Record Date is before the date of such admission shall be made solely to Partners and Assignees other than the Additional Limited Partner, and all distributions thereafter shall be made to all the Partners and Assignees including such Additional Limited Partner.

Section 12.3 Amendment of Agreement and Certificate of Limited Partnership

For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership (including an amendment and restatement of Exhibit A hereto) and, if necessary, to prepare as soon as practical an amendment of this Agreement and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 15.11 hereof.

ARTICLE XIII
DISSOLUTION AND LIQUIDATION

Section 13.1 Dissolution

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and its affairs shall be wound up, upon the first to occur of any of the following (each a "Liquidating Event") :

(i) the expiration of its term as provided in Section 2.4 hereof;

(ii) an event of withdrawal of the General Partner, as defined in the Act (other than an event of Bankruptcy), unless, within ninety (90) days after the withdrawal a Majority in Interest of the remaining Partners Consent in writing to continue the business of the Partnership and to the appointment, effective as of the date of withdrawal, of a substitute General Partner;

(iii) an election to dissolve the Partnership made by the General Partner, in its sole and absolute discretion, after December 31, 2046;

(iv) entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Act;

(v) the sale of all or substantially all of the assets and properties of the Partnership for cash or for marketable securities (subject to Section 7.11.C); or

(vi) a final and nonappealable judgment is entered by a court of competent jurisdiction ruling that the General Partner is bankrupt or insolvent, or a final and nonappealable order for relief is entered by a court with appropriate jurisdiction against the General Partner, in each case under any federal or state bankruptcy or insolvency laws as now or hereafter in effect, unless prior to or within ninety days after of the entry of such order or judgment a Majority in Interest of the remaining Partners Consent in writing to continue the business of the Partnership and to the appointment, effective as of a date prior to the date of such order or judgment, of a substitute General Partner.

Section 13.2 Winding Up

A. General. Upon the occurrence of a Liquidating Event, the Partnership shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Partners. No Partner shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Partnership's business and affairs. The General Partner (or, in the event there is no remaining General Partner, any Person elected by a Majority in Interest of the Limited Partners (the "Liquidator")) shall be responsible for overseeing the winding up and dissolution of the Partnership and shall take full account of the Partnership's liabilities and property and the Partnership property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom (which may, to the extent determined by the General Partner, include equity or other securities of the General Partner or any other entity) shall be applied and distributed in the following order:

(1) First, to the payment and discharge of all of the Partnership's debts and liabilities to creditors other than the Partners;

(2) Second, to the payment and discharge of all of the Partnership's debts and liabilities to the Partners; and

(3) The balance, if any, to the Partners in accordance with their Capital Accounts, after giving effect to all contributions, distributions, and allocations for all periods. [Consider incorporating old 14.1.B(3) here]

The General Partner shall not receive any additional compensation for any services performed pursuant to this Article XIII.

B. Deferred Liquidation. Notwithstanding the provisions of Section 13.2.A above which require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Partners, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Partners as creditors) or distribute to the Partners, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2.A above, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Partners, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

Section 13.3 Compliance with Timing Requirements of Regulations

Subject to Section 13.4 below, in the event the Partnership is "liquidated" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made pursuant to this Article XIII to the General Partner and Limited Partners who have positive Capital Accounts in compliance with Regulations Section 1.704-1(b)(2)(ii)(b)(2). If any Partner has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), such Partner shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever. In the discretion of the General Partner, a pro rata portion of the distributions that would otherwise be made to the General Partner and Limited Partners pursuant to this Article XIII may be: (A) distributed to a trust established for the benefit of the General Partner and Limited Partners for the purposes of liquidating Partnership assets, collecting amounts owed to the Partnership and paying any contingent or unforeseen liabilities or obligations of the Partnership or of the General Partner arising out of or in connection with the Partnership (in which case the assets of any such trust shall be distributed to the General Partner and Limited Partners from time to time, in the reasonable discretion of the General Partner, in the same proportions as the amount distributed to such trust by the Partnership would otherwise have been distributed to the General Partner and Limited Partners pursuant to this Agreement); or (B) withheld to provide a reasonable reserve for Partnership liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Partnership, provided, that such withheld amounts shall be distributed to the General Partner and Limited Partners as soon as practicable.

Section 13.4 Deemed Distribution and Recontribution

Notwithstanding any other provision of this Article XIII, in the event the Partnership is deemed liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g) but no Liquidating Event has occurred,

the Partnership's property shall not be liquidated, the Partnership's liabilities shall not be paid or discharged and the Partnership's affairs shall not be wound up. Instead, for federal income tax purposes and for purposes of maintaining Capital Accounts pursuant to Exhibit B hereto, the Partnership shall be deemed to have distributed its assets in kind to the General Partner and Limited Partners, who shall be deemed to have assumed and taken such assets subject to all Partnership liabilities, all in accordance with their respective Capital Accounts. Immediately thereafter, the General Partner and Limited Partners shall be deemed to have recontributed the Partnership assets in kind to the Partnership, which shall be deemed to have assumed and taken such assets subject to all such liabilities.

Section 13.5 Rights of Limited Partners

Except as otherwise provided in this Agreement, each Limited Partner shall look solely to the assets of the Partnership for the return of its Capital Contributions and shall have no right or power to demand or receive property other than cash from the Partnership. Except as otherwise expressly provided in this Agreement, no Limited Partner shall have priority over any other Limited Partner as to the return of its Capital Contributions, distributions, or allocations.

Section 13.6 Notice of Dissolution

In the event a Liquidating Event occurs or an event occurs that would, but for provisions of an election or objection by one or more Partners pursuant to Section 13.1 above, result in a dissolution of the Partnership, the General Partner shall, within thirty (30) days thereafter, provide written notice thereof to each of the Partners and to all other parties with whom the Partnership regularly conducts business (as determined in the discretion of the General Partner) and shall publish notice thereof in a newspaper of general circulation in each place in which the Partnership regularly conducts business (as determined in the discretion of the General Partner).

Section 13.7 Cancellation of Certificate of Limited Partnership

Upon the completion of the liquidation of the Partnership cash and property as provided in Section 13.2 above, the Partnership shall be terminated and the Certificate and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 13.8 Reasonable Time for Winding Up

A reasonable time shall be allowed for the orderly winding up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2 above, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect among the Partners during the period of liquidation.

Section 13.9 Waiver of Partition

Each Partner hereby waives any right to partition of the Partnership property.

Section 13.10 Liability of Liquidator

The Liquidator shall be indemnified and held harmless by the Partnership in the same manner and to the same degree as an Indemnitee may be indemnified pursuant to Section 7.11 hereof.

ARTICLE XIV
AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS

Section 14.1 Amendments

A. General. Amendments to this Agreement may be proposed only by the General Partner. Following such proposal (except an amendment pursuant to Section 14.1.B below), the General Partner shall submit any proposed amendment to the Limited Partners and shall seek the written vote of the Partners on the proposed amendment or shall call a meeting to vote thereon and to transact any other business that it may deem appropriate. For purposes of obtaining a written vote, the General Partner may require a response within a reasonable specified time, but not less than fifteen (15) days, and failure to respond in such time period shall constitute a vote which is consistent with the General Partner's recommendation with respect to the proposal; provided, however, that in the case of any Consent required under Section 7.11.C or 7.11.D, the General Partner shall be required to give the Limited Partners (other than Mr. Mendik, Mr. Greenbaum or any Mendik Owners with respect thereto) entitled to vote thereon two (2) written requests for a response and in determining the votes cast for or against such Consent the Partnership Units of Limited Partners (other than Mr. Mendik, Mr. Greenbaum or any Mendik Owners with respect thereto) entitled to vote thereon who do not respond in writing to either such request within the time period established by the General Partner shall be deemed to have been voted for or against the proposed Consent in the same proportion as the votes actually received.

B. Amendments Not Requiring Limited Partner Approval. Subject to Section 14.1.C and 14.1.D, the General Partner shall have the power, without the Consent of the Limited Partners, to amend this Agreement as may be required to reflect any changes to this Agreement that the General Partner deems necessary or appropriate in its sole discretion, provided that such change does not adversely affect or eliminate any right granted to a Limited Partner pursuant to any of the provisions of this Agreement specified in Section 14.1.C or Section 14.1.D as requiring a particular minimum vote. The General Partner shall notify the Limited Partners when any action under this Section 14.1.B is taken in the next regular communication to the Limited Partners.

C. Amendments Requiring Limited Partner Approval (Excluding General Partner). Without the Consent of the Outside Limited Partners, the General Partner shall not amend Section 4.2.A, Section 5.1.C, Section 7.5, Section 7.6, Section 7.8, Section 11.2, Section 13.1, this Section 14.1.C or Section 14.2.

D. Other Amendments Requiring Certain Limited Partner Approval. Notwithstanding anything in this Section 14.1 to the contrary, this Agreement shall not be amended with respect to any Partner adversely affected without the Consent of such Partner adversely affected if such amendment would (i) convert a Limited Partner's interest in the Partnership into a general partner's interest, (ii) modify the limited liability of a Limited Partner, (iii) amend Section 7.11.A, (iv) amend Article V, Article VI, or Section 13.2.A(3) (except as permitted pursuant to Sections 4.2, 5.1.C, 5.4 and 6.2, (v) amend Section 8.6 or any defined terms set forth in Article I that relate to the Redemption Right (except as permitted in Section 8.6.E), or (vi) amend this Section 14.1.D. In addition, any amendment to Section 7.11.C of this Agreement shall require the following consent:

(i) In the event that the amendment to Section 7.11.C affects the Two Penn Plaza Property or the rights of holders of Two Penn Plaza Units, such amendment shall require the Consent of Partners (other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) who hold seventy-five percent (75%) of the Two Penn Plaza Units;

(ii) In the event that the amendment to Section 7.11.C affects the Eleven Penn Plaza Property or the rights of holders of Eleven Penn Plaza Units, such amendment shall require the

Consent of Partners (other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) who hold seventy-five percent (75%) of the Eleven Penn Plaza Units; and

(iii) In the event that the amendment to Section 7.11.C affects the 866 U.N. Plaza Property or the rights of holders of 866 U.N. Plaza Units, such amendment shall require the Consent of Partners (other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) who hold seventy-five percent (75%) of the 866 U.N. Plaza Units.

E. Amendment and Restatement of Exhibit A Not An Amendment. Notwithstanding anything in this Article XIV or elsewhere in this Agreement to the contrary, any amendment and restatement of Exhibit A hereto by the General Partner to reflect events or changes otherwise authorized or permitted by this Agreement, whether pursuant to Section 7.1.A(20) hereof or otherwise, shall not be deemed an amendment of this Agreement and may be done at any time and from time to time, as necessary by the General Partner without the Consent of the Limited Partners.

F. Amendment by Merger. In the event that the Partnership participates in any merger (including a triangular merger), consolidation or combination with another entity in a transaction not otherwise prohibited by this Agreement and as a result of such merger, consolidation or combination this Agreement is to be amended (or a new agreement for a limited partnership or limited liability company, as applicable, is to be adopted for the surviving entity) and any of the Outside Limited Partners (as defined herein in "Consent of Outside Limited Partners") will hold equity interests in the continuing or surviving entity, then any such amendments to this Agreement (or changes from this Agreement reflected in the new agreement for the surviving entity) shall require the consents provided in Section 14.1.C and Section 14.1.D.

Section 14.2 Meetings of the Partners

A. General. Meetings of the Partners may be called only by the General Partner. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners not less than seven (7) days nor more than thirty (30) days prior to the date of such meeting; provided that a Partner's attendance at any meeting of Partners shall be deemed a waiver of the foregoing notice requirement with respect to such Partner. Partners may vote in person or by proxy at such meeting. Whenever the vote or Consent of Partners is permitted or required under this Agreement, such vote or Consent may be given at a meeting of Partners or may be given in accordance with the procedure prescribed in Section 14.1.A above. Except as otherwise expressly provided in this Agreement, the Consent of holders of a majority of the Percentage Interests held by Limited Partners (including Limited Partnership Interests held by the General Partner) shall control.

B. Actions Without a Meeting. Any action required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a written consent setting forth the action so taken is signed by a majority of the Percentage Interests of the Partners (or such other percentage as is expressly required by this Agreement). Such consent may be in one instrument or in several instruments, and shall have the same force and effect as a vote of a majority of the Percentage Interests of the Partners (or such other percentage as is expressly required by this Agreement). Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the effective date so certified.

C. Proxy. Each Limited Partner may authorize any Person or Persons to act for such Limited Partner by proxy on all matters in which a Limited Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by the Limited Partner or its attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless

otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Limited Partner executing it, such revocation to be effective upon the Partnership's receipt of notice thereof in writing.

D. Conduct of Meeting. Each meeting of Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deems appropriate.

ARTICLE XV
GENERAL PROVISIONS

Section 15.1 Addresses and Notice

Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner or Assignee at the address set forth in Exhibit A hereto or such other address as the Partners shall notify the General Partner in writing.

Section 15.2 Titles and Captions

All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to "Articles" and "Sections" are to Articles and Sections of this Agreement.

Section 15.3 Pronouns and Plurals

Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 15.4 Further Action

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.5 Binding Effect

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.6 Creditors; Other Third Parties

Other than as expressly set forth herein with regard to any Indemnitee, none of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor or other third party having dealings with the Partnership.

Section 15.7 Waiver

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

Section 15.8 Counterparts

This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 15.9 Applicable Law

This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

Section 15.10 Invalidity of Provisions

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.11 Power of Attorney

A. General. Each Limited Partner and each Assignee who accepts Partnership Units (or any rights, benefits or privileges associated therewith) is deemed to irrevocably constitute and appoint the General Partner, any Liquidator and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead to:

(1) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (a) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate and all amendments or restatements thereof) that the General Partner or any Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property, (b) all instruments that the General Partner or any Liquidator deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms, (c) all conveyances and other instruments or documents that the General Partner or any Liquidator deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation, (d) all instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article XI, XII or XIII hereof or the Capital Contribution of any Partner and (e) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of Partnership Interests; and

(2) execute, swear to, acknowledge and file all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the sole and absolute discretion of the General Partner or any Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action which is made or given by the Partners hereunder or is consistent with the terms of this Agreement or appropriate or necessary, in the sole discretion of the General Partner or any Liquidator, to effectuate the terms or intent of this Agreement.

Nothing contained in this Section 15.11 shall be construed as authorizing the General Partner or any Liquidator to amend this Agreement except in accordance with Article XIV hereof or as may be otherwise expressly provided for in this Agreement.

B. Irrevocable Nature. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, in recognition of the fact that each of the Partners will be relying upon the power of the General Partner or any Liquidator to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Units and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or any Liquidator, acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee hereby waives any and all defenses which may be available to contest, negate or disaffirm the action of the General Partner or any Liquidator, taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within fifteen (15) days after receipt of the General Partner's or Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator, as the case may be, deems necessary to effectuate this Agreement and the purposes of the Partnership.

Section 15.12 Entire Agreement

This Agreement contains the entire understanding and agreement among the Partners with respect to the subject matter hereof and supersedes any prior written oral understandings or agreements among them with respect thereto.

Section 15.13 No Rights as Shareholders

Nothing contained in this Agreement shall be construed as conferring upon the holders of the Partnership Units any rights whatsoever as shareholders of the General Partner Entity or the General Partner (if different), including, without limitation, any right to receive dividends or other distributions made to shareholders of the General Partner Entity or the General Partner (if different) or to vote or to consent or receive notice as shareholders in respect to any meeting of shareholders for the election of directors of the General Partner Entity or the General Partner (if different) or any other matter.

Section 15.14 Limitation to Preserve REIT Status

To the extent that any amount paid or credited to the General Partner or its officers, directors, employees or agents pursuant to Section 7.4 or Section 7.7 hereof would constitute gross income to the General Partner Entity or the General Partner (if it is to be qualified as a REIT) for purposes of Section 856(c)(2) or 856(c)(3) of the Code (a "General Partner Payment") then, notwithstanding any other provision of this Agreement, the amount of such General Partner Payments for any fiscal year shall not exceed the lesser of:

(i) an amount equal to the excess, if any, of (a) 5% of the General Partner Entity's or the General Partner's (if it is to be qualified as a REIT) total gross income (but not including the amount of any General Partner Payments) for the fiscal year over (b) the amount of gross income (within the meaning of Section 856(c)(2) of the Code) derived by the General Partner Entity or the General Partner (if it is to be qualified as a REIT) from sources other than those described in subsections (A) through (H) of Section 856(c)(2) of the Code (but not including the amount of any General Partner Payments); or

(ii) an amount equal to the excess, if any of (a) 25% of the General Partner Entity's or the General Partner's (if it is to be qualified as a REIT) total gross income (but not including the amount of any General Partner Payments) for the fiscal year over (b) the amount of gross income (within the meaning of Section 856(c)(3) of the Code) derived by the General Partner Entity or the General Partner (if it is to be qualified as a REIT) from sources other than those described in subsections (A) through (I) of Section 856(c)(3) of the Code (but not including the amount of any General Partner Payments);

provided, however, that General Partner Payments in excess of the amounts set forth in subparagraphs (i) and (ii) above may be made if the General Partner Entity or the General Partner (if it is to be qualified as a REIT), as a condition precedent, obtains an opinion of tax counsel that the receipt of such excess amounts would not adversely affect the General Partner Entity's or the General Partner's (if it is to be qualified as a REIT) ability to qualify as a REIT. To the extent General Partner Payments may not be made in a year due to the foregoing limitations, such General Partner Payments shall carry over and be treated as arising in the following year, provided, however, that such amounts shall not carry over for more than five years, and if not paid within such five year period, shall expire; provided, further, that (i) as General Partner Payments are made, such payments shall be applied first to carry over amounts outstanding, if any, and (ii) with respect to carry over amounts for more than one Partnership Year, such payments shall be applied to the earliest Partnership Year first.

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

GENERAL PARTNER:

VORNADO REALTY TRUST

By: _____
Name: _____
Title: _____

LIMITED PARTNERS:

THE MENDIK COMPANY, INC.

By: _____
Name: _____
Title: _____

FW/MENDIK REIT, L.L.C.

By: Mendik Holdings LLC, member

By: Mendik Holdings, Inc., managing member

By: _____
Name: _____
Title: _____

[ADD OTHER LIMITED PARTNERS]

EXHIBIT A
PARTNERS AND PARTNERSHIP INTERESTS

Name and Address of Partner	Preferred Partnership Units	Class A Partnership Units*	Class B Partnership Units	Class C Partnership Units	Class D Partnership Units	Class E Partnership Units	Agreed Initial Capital Account	Percentage Interest
GENERAL PARTNER:								
Vornado Trust Park 80 West, Plaza Two Saddle Brook, New Jersey								
LIMITED PARTNERS:								
Vornado Trust Park 80 West, Plaza Two Saddle Brook, New Jersey								
The Mendik Company, Inc. 330 Madison Avenue New York, New York								
FW/Mendik REIT, L.L.C. [Address]								
[List Other Partners]								
TOTAL								100.00%

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* [NOTE: AT THE EFFECTIVE DATE THE GENERAL PARTNER'S TOTAL CLASS A UNITS MUST EQUAL THE NUMBER OF OUTSTANDING COMMON SHARES]

EXHIBIT B
CAPITAL ACCOUNT MAINTENANCE

1. Capital Accounts of the Partners

A. The Partnership shall maintain for each Partner a separate Capital Account in accordance with the rules of Regulations Section l.704-l(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions and any other deemed contributions made by such Partner to the Partnership pursuant to this Agreement and (ii) all items of Partnership income and gain (including income and gain exempt from tax) computed in accordance with Section 1.B hereof and allocated to such Partner pursuant to Section 6.1 of the Agreement and Exhibit C hereof, and decreased by (x) the amount of cash or Agreed Value of all actual and deemed distributions of cash or property made to such Partner pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 1.B hereof and allocated to such Partner pursuant to Section 6.1 of the Agreement and Exhibit C hereof.

B. For purposes of computing the amount of any item of income, gain, deduction or loss to be reflected in the Partners' Capital Accounts, unless otherwise specified in this Agreement, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes determined in accordance with Section 703(a) of the Code (for this purpose all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss), with the following adjustments:

(1) Except as otherwise provided in Regulations Section 1.704-1(b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Partnership, provided that the amounts of any adjustments to the adjusted bases of the assets of the Partnership made pursuant to Section 734 of the Code as a result of the distribution of property by the Partnership to a Partner (to the extent that such adjustments have not previously been reflected in the Partners' Capital Accounts) shall be reflected in the Capital Accounts of the Partners in the manner and subject to the limitations prescribed in Regulations Section l.704-1(b)(2)(iv)(m)(4).

(2) The computation of all items of income, gain, and deduction shall be made without regard to the fact that items described in Sections 705(a)(l)(B) or 705(a)(2)(B) of the Code are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes.

(3) Any income, gain or loss attributable to the taxable disposition of any Partnership property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Partnership's Carrying Value with respect to such property as of such date.

(4) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such fiscal year.

(5) In the event the Carrying Value of any Partnership Asset is adjusted pursuant to Section 1.D hereof, the amount of any such adjustment shall be taken into account as gain or loss from the disposition of such asset.

(6) Any items specially allocated under Section 2 of Exhibit C hereof shall not be taken into account.

C. Generally, a transferee (including any Assignee) of a Partnership Unit shall succeed to a pro rata portion of the Capital Account of the transferor. The Capital Accounts of such reconstituted Partnership shall be maintained in accordance with the principles of this Exhibit B.

D. (1) Consistent with the provisions of Regulations Section 1.704-1(b)(2)(iv)(f), and as provided in Section 1.D(2), the Carrying Values of all Partnership assets shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as of the times of the adjustments provided in Section 1.D(2) hereof, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property and allocated pursuant to Section 6.1 of the Agreement.

(2) Such adjustments shall be made as of the following times: (a) immediately prior to the acquisition of an additional interest in the Partnership by any new or existing Partner in exchange for more than a de minimis Capital Contribution; (b) immediately prior to the distribution by the Partnership to a Partner of more than a de minimis amount of property as consideration for an interest in the Partnership; and (c) immediately prior to the liquidation of the Partnership within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), provided, however, that adjustments pursuant to clauses (a) and (b) above shall be made only if the General Partner determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership.

(3) In accordance with Regulations Section 1.704-1(b)(2)(iv)(e), the Carrying Value of Partnership assets distributed in kind shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as of the time any such asset is distributed.

(4) In determining Unrealized Gain or Unrealized Loss for purposes of this Exhibit B, the aggregate cash amount and fair market value of all Partnership assets (including cash or cash equivalents) shall be determined by the General Partner using such reasonable method of valuation as it may adopt, or in the case of a liquidating distribution pursuant to Article XIII of the Agreement, shall be determined and allocated by the Liquidator using such reasonable methods of valuation as it may adopt. The General Partner, or the Liquidator, as the case may be, shall allocate such aggregate fair market value among the assets of the Partnership in such manner as it determines in its sole and absolute discretion to arrive at a fair market value for individual properties.

E. The provisions of the Agreement (including this Exhibit B and the other Exhibits to the Agreement) relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Regulations. In the event the General Partner shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities which are

secured by contributed or distributed property or which are assumed by the Partnership, the General Partner, or the Limited Partners) are computed in order to comply with such Regulations, the General Partner may make such modification without regard to Article XIV of the Agreement, provided that it is not likely to have a material effect on the amounts distributable to any Person pursuant to Article XIII of the Agreement upon the dissolution of the Partnership. The General Partner also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(q), and (ii) make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b).

2. No Interest

No interest shall be paid by the Partnership on Capital Contributions or on balances in Partners' Capital Accounts.

3. No Withdrawal

No Partner shall be entitled to withdraw any part of its Capital Contribution or Capital Account or to receive any distribution from the Partnership, except as provided in Articles IV, V, VII and XIII of the Agreement.

EXHIBIT C
SPECIAL ALLOCATION RULES

1. Special Allocation Rules.

Notwithstanding any other provision of the Agreement or this Exhibit C, the following special allocations shall be made in the following order:

A. Minimum Gain Chargeback. Notwithstanding the provisions of Section 6.1 of the Agreement or any other provisions of this Exhibit C, if there is a net decrease in Partnership Minimum Gain during any Partnership Year, each Partner shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Partner's share of the net decrease in Partnership Minimum Gain, as determined under Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Partner pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(f)(6). This Section 1.A is intended to comply with the minimum gain chargeback requirements in Regulations Section 1.704-2(f) and for purposes of this Section 1.A only, each Partner's Adjusted Capital Account Deficit shall be determined prior to any other allocations pursuant to Section 6.1 of this Agreement with respect to such Partnership Year and without regard to any decrease in Partner Minimum Gain during such Partnership Year.

B. Partner Minimum Gain Chargeback. Notwithstanding any other provision of Section 6.1 of this Agreement or any other provisions of this Exhibit C (except Section 1.A hereof), if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during any Partnership Year, each Partner who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Partner's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each General Partner and Limited Partner pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(i)(4). This Section 1.B is intended to comply with the minimum gain chargeback requirement in such Section of the Regulations and shall be interpreted consistently therewith. Solely for purposes of this Section 1.B, each Partner's Adjusted Capital Account Deficit shall be determined prior to any other allocations pursuant to Section 6.1 of the Agreement or this Exhibit with respect to such Partnership Year, other than allocations pursuant to Section 1.A hereof.

C. Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), and after giving effect to the allocations required under Sections 1.A and 1.B hereof with respect to such Partnership Year, such Partner has an Adjusted Capital Account Deficit, items of Partnership income and gain (consisting of a pro rata portion of each item of Partnership income, including gross income and gain for the Partnership Year) shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Regulations, its Adjusted Capital Account Deficit created by such adjustments, allocations or distributions as quickly as possible. This Section 1.C is intended to constitute a "qualified income offset" under Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

D. Gross Income Allocation. In the event that any Partner has an Adjusted Capital Account Deficit at the end of any Partnership Year (after taking into account allocations to be made under the preceding paragraphs hereof with respect to such Partnership Year), each such Partner shall be specially allocated items of

Partnership income and gain (consisting of a pro rata portion of each item of Partnership income, including gross income and gain for the Partnership Year) in an amount and manner sufficient to eliminate, to the extent required by the Regulations, its Adjusted Capital Account Deficit.

E. Nonrecourse Deductions. Nonrecourse Deductions for any Partnership Year shall be allocated to the Partners in accordance with their respective Percentage Interests. If the General Partner determines in its good faith discretion that the Partnership's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Regulations promulgated under Section 704(b) of the Code, the General Partner is authorized, upon notice to the Limited Partners, to revise the prescribed ratio for such Partnership Year to the numerically closest ratio which would satisfy such requirements.

F. Partner Nonrecourse Deductions. Any Partner Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Partner who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Regulations Sections 1.704-2(b)(4) and 1.704-2(i).

G. Code Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Regulations Section 1.704-l(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Regulations.

2. Allocations for Tax Purposes

A. Except as otherwise provided in this Section 2, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 6.1 of the Agreement and Section 1 of this Exhibit C.

B. In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss, and deduction shall be allocated for federal income tax purposes among the Partners as follows:

(1) (a) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners consistent with the principles of Section 704(c) of the Code to take into account the variation between the 704(c) Value of such property and its adjusted basis at the time of contribution (taking into account Section 2.C of this Exhibit C); and

(b) any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1 of the Agreement and Section 1 of this Exhibit C.

(2) (a) In the case of an Adjusted Property, such items shall

(i) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Exhibit B;

(ii) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 2.B(1) of this Exhibit C; and

(b) any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner its correlative item of "book" gain or loss is allocated pursuant to Section 6.1 of the Agreement and Section 1 of this Exhibit C.

C. To the extent Regulations promulgated pursuant to Section 704(c) of the Code permit a Partnership to utilize alternative methods to eliminate the disparities between the Carrying Value of property and its adjusted basis, the General Partner shall, subject to the following, have the authority to elect the method to be used by the Partnership and such election shall be binding on all Partners. With respect to the Contributed Properties transferred to the Partnership in connection with the Consolidation, the Partnership shall elect to use the "traditional method" set forth in Treasury Regulation Section 1.704-3(b).

EXHIBIT D
NOTICE OF REDEMPTION

The undersigned hereby irrevocably (i) elects to redeem _____ Partnership Units in Vornado Realty L.P. in accordance with the terms of the First Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., as amended (the "Partnership Agreement"), and the Redemption Right referred to therein, (ii) surrenders such Partnership Units and all right, title and interest therein and (iii) directs that promptly after the Specified Redemption Date the Cash Amount or Shares Amount (as determined by the General Partner) deliverable upon exercise of the Redemption Right be delivered to the address specified below, and if Shares are to be delivered, such Shares be registered or placed in the name(s) and at the address(es) specified below. The undersigned hereby represents, warrants, and certifies that the undersigned (a) has marketable and unencumbered title to such Partnership Units, free and clear of the rights of or interests of any other person or entity, (b) has the full right, power and authority to redeem and surrender such Partnership Units as provided herein and (c) has obtained the consent or approval of all persons or entities, if any, having the right to consult or approve such redemption and surrender. Capitalized terms used herein have the meanings assigned to them in the Partnership Agreement.

Dated:_____ Name of Limited Partner:_____

_____
(Signature of Limited Partner)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Signature Guaranteed by:_____

IF SHARES ARE TO BE ISSUED, ISSUE TO:

Name:

Please insert social security or identifying number:

EXHIBIT E

VALUE OF CONTRIBUTED PROPERTY

UNDERLYING PROPERTY	704(c) VALUE	AGREED VALUE

EXHIBIT F

RESTRICTED PARTNERS

FW/Mendik, L.L.C.

Bernard H. Mendik

David R. Greenbaum

Any Mendik Owner

Mendik Realty Co., Inc.

The Mendik Partnership, L.P.

[2750 Associates]

Mil Equities

Mendik 1740 Corp.

Mendik RELP Corp.

20 Broad Street Company

[Mendik 570 Corp.]

[any other Mendik affiliates (other than certain employees) who take Partnership Units as a result of the Consolidation]

Exhibit 2.1(d)
EXHIBIT J

VOTING AGREEMENT

VOTING AGREEMENT (this "Agreement"), dated as of March __, 1997, by and among certain undersigned shareholders (each a "Shareholder" and collectively, the "Shareholders") of Vornado Realty Trust, a Maryland real estate investment trust (the "Company"), and Bernard H. Mendik ("Mr. Mendik").

WHEREAS, pursuant to that certain Master Consolidation Agreement, dated as of March __, 1997, among the Company, Vornado/Saddle Brook L.L.C., a Delaware limited liability company, The Mendik Company, L.P., a Delaware limited partnership (the "Operating Partnership"), and various other parties defined therein collectively as the Mendik Group (the "Consolidation Agreement"), the Operating Partnership will acquire (through merger, contribution, transfer or otherwise) the assets of the Company, the Mendik Property Interests (as defined in the Consolidation Agreement) and substantially all of the interests in the Management Business Assets (as defined in the Consolidation Agreement); and

WHEREAS, each Shareholder currently exercises direct or indirect voting control over the number of common shares of beneficial interest, $.04 par value per share, of the Company ("Common Shares") set forth opposite such Shareholder's name on Schedule 1 hereto; and

WHEREAS, in order to induce the Mendik Group to enter into the Consolidation Agreement and to consummate the Consolidation in accordance with the terms thereof, each Shareholder has agreed, upon the terms and subject to the conditions set forth herein, to vote such Shareholder's Shares (as defined below) in favor of the election of Mr. Mendik to the Board of Trustees of the Company.

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

1. Representations of the Shareholders. Each Shareholder represents and warrants to Mr. Mendik that (a) such Shareholder exercises exclusive voting control over such Shareholder's Shares and, except as set forth on Schedule 1 hereto or as contemplated by this Agreement, there are no rights, agreements, arrangements or commitments of any character to which such Shareholder is a party relating to the pledge, disposition or voting of any of such Shareholder's Shares and there are no voting trusts or voting agreements with respect to such Shareholder's Shares, (b) such Shareholder is duly authorized to execute and deliver this Agreement, and (c) this Agreement is a valid and binding obligation of such Shareholder enforceable against such Shareholder in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the rights of creditors generally and by general equitable principles.

2. Agreement to Vote Shares. Subject to the terms and conditions of this Agreement, each Shareholder agrees during the term of this Agreement to vote, or cause to be voted, such Shareholder's Shares in favor of the election of Mr. Mendik to the Board of Trustees of the Company at every meeting of the shareholders of the Company at which such matter is considered and at every adjournment thereof. For all purposes of this Agreement, with respect to any Shareholder, "Shares" shall mean those Common Shares, if any, held of record or beneficially owned by and for the account of such Shareholder from time to time during the term of this Agreement or over which such Shareholder exercises voting control.

3. No Voting Trusts. Each Shareholder agrees that such Shareholder will not, nor will such Shareholder permit any Affiliate to, deposit any of such Shareholder's Shares in a voting trust or grant any proxies or otherwise subject any of such Shareholder's Shares to any right, agreement, arrangement or commitment with respect to the voting of such Shares inconsistent with the express terms of this Agreement; provided, however, that, subject to Section 4, nothing herein shall be deemed to restrict any Shareholder's right or ability to sell, transfer, pledge or otherwise dispose of or encumber any of such Shareholder's Shares at any time.

4. Disposition of Shares. Nothing contained herein shall be deemed to require any Shareholder to own or hold beneficially or of record any Common Shares or impose any limitation on any Shareholder's right or ability to sell, transfer, pledge or otherwise dispose of or encumber any of such Shareholder's Shares at any time; provided, however, that each Shareholder agrees that such Shareholder shall not transfer such Shareholder's Shares to an Affiliate of such Shareholder unless such Affiliate agrees prior to such transfer to be bound by all of the terms and conditions of this Agreement by executing a counterpart signature page to this Agreement and delivering the same to Mr. Mendik. As used herein, "Affiliate", with respect to a Shareholder shall mean (i) an entity more than fifty percent (50%) of the voting interests of which are held, directly or indirectly, beneficially or of record by such Shareholder and (ii) in the case of a Shareholder that is a natural person, such Shareholder's spouse and children, if any, and any trust substantially all the beneficiaries of which are such Shareholder, his spouse and/or his children.

5. Specific Performance. Each party hereto acknowledges that it will be impossible to measure in money the damage to the other party if a party hereto fails to comply with the obligations imposed by this Agreement and that, in the event of any such failure, the other party will not have an adequate remedy at law or in damages. Accordingly, each party hereto agrees that injunctive relief or other equitable remedy, in addition to remedies at law or damages, is the appropriate remedy for any such failure and will not oppose the granting of such relief on the basis that the other party has an adequate remedy at law. Each party hereto agrees that it will not seek, and agrees to waive any requirement for, the securing or posting of a bond in connection with any other party's seeking or obtaining such equitable relief.

6. Time of Agreement; Termination. The term of this Agreement shall commence on the date hereof, and such term and this Agreement shall terminate upon the earliest to occur of (i) March 31, 2003; (ii) the date that Mr. Mendik ceases to own beneficially or control Common Shares and Units (as defined in the Consolidation Agreement)

representing at least 80% of the Mendik Initial Investment (for purposes of this clause (ii), the calculation of the number of Common Shares and Units beneficially owned by Mr. Mendik shall include those Common Shares and Units comprising any part of the Mendik Initial Investment which have been subsequently transferred or conveyed to, and held continuously by, any trust exclusively for the benefit of Mr. Mendik, his spouse, his lineal descendants and/or any charitable organizations); (iii) the death, Disability (as defined below) or criminal indictment of Mr. Mendik or the occurrence of an act by Mr. Mendik in connection with the business and affairs of the Company or the Operating Partnership that constitutes fraud, gross negligence or willful misconduct, or the removal of Mr. Mendik from the Board of Trustees of the Company pursuant to the Amended and Restated Declaration of Trust of the Company, as may be amended from time to time (the "Charter"); (provided, however, that each Shareholder agrees that, in connection with any vote of the shareholders of the Company to remove Mr. Mendik from the Board of Trustees of the Company pursuant to the Charter during the term of this Agreement, such Shareholder will either abstain from such vote or vote (or cause to be voted) its Shares proportionally in accordance with the votes of the other holders of Common Shares). As used herein, "Disability" means the illness, physical or mental disability, or other incapacity, of Mr. Mendik which has continued for at least 180 consecutive days. As used herein, "Mendik Initial Investment" means the aggregate number of Common Shares and Units acquired by Mr. Mendik and certain of his affiliates in the Consolidation as identified on Schedule 2 hereto, as such number may be adjusted from time to time in the event of any share dividend or split, recapitalization, merger, consolidation, spinoff, combination or exchange of Common Shares or other corporate change, or any distributions to holders of Common Shares other than regular cash dividends. Upon such termination, no party shall have any further obligations or liabilities hereunder; provided, that such termination shall not relieve any party from liability for any breach of this Agreement prior to such termination.

7. Entire Agreement. This Agreement supersedes all prior agreements, written or oral, among the parties hereto with respect to the subject matter hereof and contains the entire agreement among the parties with respect to the subject matter hereof. This Agreement may not be amended, supplemented or modified, and no provisions hereof may be modified or waived, except by an instrument in writing signed by all parties hereto. No waiver of any provisions hereto by any party shall be deemed a waiver of any other provisions hereof by any such party, nor shall any such waiver be deemed a continuing waiver of any provisions hereof by such party.

8. Notices. All notices, requests, claims, demands or other communications hereunder shall be in writing, and shall be deemed given when delivered personally, upon receipt of a transmission confirmation if sent by telecopy or like transmission and on the next business day when sent by Federal Express, Express Mail or other reputable overnight courier service to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Shareholders, to:

Mr. Steven Roth
c/o Vornado Realty Trust
Park 80 West, Plaza II
Saddle Brook, New Jersey 07663
Telecopy: (201) 291-1093

Mr. Michael Fascitelli
c/o Vornado Realty Trust
Park 80 West, Plaza II
Saddle Brook, New Jersey 07663
Telecopy: (201) 291-1093

Interstate Properties
c/o Vornado Realty Trust
Park 80 West, Plaza II
Saddle Brook, New Jersey 07663
Telecopy: (201) 291-1093

With a copy to:

Sullivan & Cromwell
125 Broad Street
New York, NY 10004
Attention: Arthur S. Adler
Patricia A. Ceruzzi
Telecopy: (212) 558-3588

If to Mr. Bernard H. Mendik to:

Mr. Bernard H. Mendik
c/o The Mendik Company
330 Madison Avenue
New York, New York 10017
Telecopy: (212) 697-2837

With a copy to:

Hogan & Hartson LLP
555 Thirteenth Street, N.W.
Washington, D.C. 20004
Attention: J. Warren Gorrell, Jr.
Telecopy: (202) 637-5600

9. Miscellaneous.

(a) THIS AGREEMENT SHALL BE DEEMED A CONTRACT MADE UNDER, AND FOR ALL PURPOSES SHALL BE CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF MARYLAND, WITHOUT REFERENCE TO ITS CONFLICTS OF LAW PRINCIPLES.

(b) If any provision of this Agreement or the application of such provision to any person or circumstances shall be held invalid or unenforceable by a court of competent jurisdiction, such provision or application shall be unenforceable only to the extent of such invalidity or unenforceability, and the remainder of the provision held invalid or unenforceable and the application of such provision to persons or circumstances, other than the party as to which it is held invalid, and the remainder of this Agreement, shall not be affected.

(c) This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

(d) All Section headings herein are for convenience of reference only and are not part of this Agreement, and no construction or reference shall be derived therefrom.

(e) Capitalized terms used but not defined in this Agreement shall have the respective meanings assigned to such terms in the Consolidation Agreement.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first written above.

_____
MR. STEVEN ROTH

_____
MR. MICHAEL FASCITELLI

Interstate Properties

By:_____
General Partner

_____
MR. MENDIK

EXHIBIT A

Definitions

Vornado: Initially Vornado Realty Trust, then Borrower upon closing of the contemplated acquisition.

EBITDA: Earnings before interest, taxes, depreciation, and amortization determined in accordance with GAAP and adjusted for non-recurring items (e.g., out-parcel sales).

Combined EBITDA: 100% of EBITDA from Vornado's wholly-owned properties and Vornado's pro rata share of EBITDA from joint venture properties.

Combined Interest Expense: The total Interest Expense of Vornado's wholly-owned properties and Vornado's pro rata share of Interest Expense from joint venture properties.

Capitalized Value: Include: (i) Vornado's past four quarters combined EBITDA capitalized at 9%; (ii) Cash and Cash equivalents; and (iii) projects under development at cost. For the purposes of this calculation, Vornado combined EBITDA attributable to leasing commissions, management fees or development fees shall not exceed 5% of Vornado Combined EBITDA.

Total Adjusted Outstanding Indebtedness: Includes: (i) 100% of all outstanding unsecured and secured indebtedness (excluding margin debt on cash and cash equivalent securities) for Vornado and its wholly-owned properties; (ii) Vornado's pro rata share of debt from joint venture properties; and (iii) Vornado's recourse contingent obligations.

Equity Value: Capitalization Value less Total Adjusted Outstanding Indebtedness.

Unencumbered Combined EBITDA: 100% of EBITDA for Vornado's wholly-owned unencumbered properties and Vornado's pro rata share of EBITDA from unencumbered joint venture properties.

Total Adjusted Unsecured Outstanding Indebtedness: Includes: (i) 100% of all outstanding unsecured indebtedness for Vornado and its wholly-owned properties; (ii) Vornado's pro rata share of unsecured debt from joint venture properties; and (iii) Vornado's recourse contingent obligations.

Representations and Warranties

- - Valid existence and authority.

- - Binding effect of agreement.

- - Fair presentation of financial information.

- - No material adverse change.

- - No litigation with probability of material loss.

- - Compliance with applicable laws, including relevant environmental laws.

- - Payment of taxes.

- - Full disclosure (no representation will be made with respect to projections).

- - Existence of insurance.

- - Valid existence of material subsidiaries.

Financial Covenants

At all times, Vornado is to maintain the following covenants and ratios (quarterly test):

- - Minimum Vornado Equity Value of $600 million.

- - Total Adjusted Outstanding Indebtedness not to exceed 55% of Vornado Capitalization Value.

- - The ratio of Combined EBITDA to Combined Interest Expense, for the prior four quarters, shall not be less than 2.25 to 1.00.

- - Secured Indebtedness not to exceed 35% of Vornado Capitalization Value.

- - The ratio of Combined EBITDA, for the prior four quarters, to the current Total Adjusted Outstanding Indebtedness less all unrestricted Cash and Cash Equivalents shall not be less than 16%.

- - The ratio of Unencumbered Combined EBITDA, for the prior four quarters, to the current Total Adjusted Unsecured Outstanding Indebtedness less all unrestricted Cash and Cash Equivalents shall not be less than 16%.

Provision of the following information on a quarterly (unaudited) basis:

- - Statement from a qualified representative of Vornado acceptable to Lender presenting and certifying covenant compliance.

Provision of the following information as necessary:

- - Notice of material default.

- - Copies of any documents filed with the SEC by Vornado or any subsidiaries thereof.

- - Notification of the bankruptcy or cessation of operations of any tenant to which greater than 4% of Vornado's consolidated minimum rent is attributable.

- - Notification of any asset acquisition or asset sale in excess of $25 million.

- - Full information as to Vornado's insurance coverage.

- - Other information as reasonably requested by Lender.

- - Maintenance of existence, maintenance of properties, maintenance of insurance, payment of taxes and compliance with all applicable laws and regulations.

- - Inspection of property, books and records at Lender's reasonable request.

Negative Covenants

- - No encumbrance or indebtedness on any unencumbered assets now held or hereafter acquired by Vornado.

- - No additional encumbrance or indebtedness on any currently encumbered assets.

Mandatory Prepayment Events

- - Merger, unless Borrower is the surviving entity.

- - Sale of any asset or assets totaling more than 25% of Borrower's Capitalization Value.

- - Cumulative total investments in minority interests in shares of other companies in excess of 15% of Capitalization Value (not to include existing investments in minority interests in shares of other companies).

- - Proceeds from any capital events (financings, equity offerings or otherwise) shall be applied to prepayment of the Loan.

Events of Default

- - Failure to pay principal when due.

- - Failure to pay interest within five days after due.

- - Violation of covenants, subject, where appropriate, to cure or grace periods to be negotiated.

- - Material inaccuracy of any representation or warranty.

- - Cross-default to recourse debt obligations in excess of $10 million.

- - Insolvency or bankruptcy of Borrower, Guarantor or a subsidiary to which more than $100 million of Total Market Capitalization is attributable.

- - Judgement defaults in excess of $10 million that remain unremedied.

- - Failure of Guarantor to remain a publicly traded, stock exchange listed company and to qualify as a real estate investment trust.

March 7, 1997

Vornado Realty Trust
Park 80 West, Plaza II
Saddle Brook, New Jersey 07663

Attention: Mr. Joseph Macnow

Re: Facility Fee

Gentlemen:

With respect to our commitment letter issued simultaneously herewith, you agree pay to UBS (for UBS' own account), the sum of $500,000 as a facility fee upon the closing of the Loan referred to therein.

In addition, Borrower shall pay to UBS (for UBS' own account) an extension fee of $500,000 per extension as a condition to the effectiveness of each of the two extensions provided for in said commitment.

This letter constitutes your agreement to pay the foregoing and may be modified, supplemented, amended or terminated except by a writing executed by you and us.

Very truly yours,

UNION BANK OF SWITZERLAND
(NEW YORK BRANCH)

By _____
Name:
Title:

By _____
Name:
Title:

Accepted and agreed to this
_____ day of March, 1997.

VORNADO REALTY TRUST

By _____
Name:
Title:

Exhibit 10.1

March 7, 1997

Vornado Realty Trust
Park 80 West, Plaza II
Saddle Brook, New Jersey 07663

Attention: Mr. Joseph Macnow

Gentlemen:

We (hereinafter and in the General Conditions attached hereto and made a part hereof, "Lender") agree to lend $400,000,000 (the "Loan") to a partnership to be formed by you and approved by Lender (hereinafter and in the General Conditions, "Borrower").

This letter and the General Conditions are hereinafter and in the General Conditions sometimes collectively referred to as "this Commitment".

The Loan shall be advanced pursuant to a credit agreement (the "Credit Agreement") in connection with the acquisition referred to below. The Loan shall mature 90 days from the date of the Loan closing and shall bear interest (subject to the following paragraph), payable monthly, at a rate per annum which shall at all times be equal to the greater of (a) the prime commercial lending rate as announced by Lender from time to time at its principal office in the United States or (b) the federal funds rate plus 1/2 of 1%, to be computed on an actual/360- day basis, each change in said rates to be effective as of the day of such change. For purposes hereof, "federal funds rate" shall mean, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions as published by the Federal Reserve Bank of New York for such day or, for any day that is not a banking day in New York City, for the immediately preceding banking day.

The Credit Agreement shall provide that Borrower shall have the option, subject to availability and to the limitations hereinafter set forth, to have portions of the outstanding principal amount of the Loan specified by Borrower (each such portion a "Libor Amount") bear interest, payable monthly, at a rate per annum (the "Libor Alternate

Rate") which shall at all times be .625% in excess of the rate offered by the London branch of Lender to prime banks in the London interbank market for deposits in immediately available funds, in lawful money of the United States, at approximately 11 A.M. (London time) two business days prior to the first day of a given Libor Interest Period (as hereinafter defined) selected by Borrower as hereinafter provided, for amounts comparable to the Libor Amount in question and having the same term as the applicable Libor Interest Period, as adjusted for the maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained by member banks in New York City with deposits exceeding one billion dollars with respect to "Eurocurrency liabilities" under Regulation D of the Board of Governors of the Federal Reserve System. The Libor Alternate Rate as determined by Lender from time to time as aforesaid shall be computed on an actual/360-day basis. Borrower shall have the option of choosing the period of time during which a Libor Amount shall bear interest at the Libor Alternate Rate (each such period a "Libor Interest Period"), provided, however, that each such period shall, unless otherwise permitted by Lender, be either one, two or three months, and in no event shall any such period extend beyond the maturity date, by giving irrevocable telephonic notice (to be promptly confirmed in writing) to Lender by 12 noon (New York time) three business days prior to the first day of the desired Libor Interest Period. If a Libor Alternate Rate is not available in accordance with the terms of the Credit Agreement or if Borrower fails to select a succeeding Libor Interest Period with respect to a Libor Amount on the last day of an existing Libor Interest Period, said Libor Amount shall bear interest at the prime based rate. The Credit Agreement shall also contain Lender's standard protective and qualifying provisions regarding Libor Alternate Rate pricing and shall limit Borrower to a maximum of three Libor Interest Periods at any time.

Lender's obligation to make the Loan shall be subject to (i) its receipt of a guaranty of payment of the Loan executed by Vornado Realty Trust ("Guarantor"), (ii) the satisfaction of the General Conditions and (iii) the further conditions that (a) Borrower shall have been created as an operating partnership in which Guarantor is the managing general partner and the holder of in excess of 90% of the beneficial interests, (b) Borrower shall have become the owner of assets which shall include Guarantor's existing portfolio and Guarantor's interest in Alexander's, Inc. and varying interests in seven midtown Manhattan office buildings containing approximately 5,500,000 million square feet of space and an associated management/leasing company acquired from The Mendik Company and shall have represented that it is the owner of 100% of such assets, (c) evidence satisfactory to Lender that such acquisition has occurred in a manner satisfactory to Lender and (d) Lender's existing $75,000,000 line of credit to Guarantor shall have been cancelled.

The Credit Agreement shall (i) contain the representations and warranties, financial covenants, mandatory prepayment events and events of default set forth on Exhibit A hereto, as well as such other representations and warranties, covenants, defaults, late charges and default interest rates as are customary in a loan of this nature and size to be mutually agreed upon by Borrower and Lender and (ii) provide that Borrower shall have two successive options to extend the maturity date of the Loan, provided no default exists under the Credit Agreement, the first option for three months and the second option for six months but in no event shall the maturity date of the Loan extend beyond the first anniversary of the Loan closing.

If the Loan fails to close for any reason other than a default by Lender in its obligations under this Commitment, you agree to pay a fee of $200,000 to Lender for the cancellation of this Commitment if cancelled on or before sixty (60) days from the date hereof or a fee of $300,000 if cancelled after sixty (60) days from the date hereof.

If this Commitment is satisfactory, please indicate your acceptance thereof by executing and returning to Lender a copy of this covering letter with the General Conditions attached within five (5) days from the date hereof, together with any sums required above to be paid upon acceptance hereof. Otherwise this Commitment will, at Lender's option, be of no force or effect.

Very truly yours,

UNION BANK OF SWITZERLAND
(NEW YORK BRANCH)

By /s/ Brent Davis

Name: Brant Davis
Title: Assistant Vice-President

By /s/ Albert Rabil

Name: Albert Rabil
Title: Managing Director

Accepted and agreed to this
12 day of March, 1997.
- --

VORNADO REALTY TRUST

by /s/ Joseph Macnow

Name: Joseph Macnow

Title: Vice President and CFO
Vornado Realty Trust

GENERAL CONDITIONS OF LOAN COMMITMENTS

1. The Loan shall be conditioned on Lender's receipt of the following,

(a) Certified financial statements of Guarantor and such other persons or entities connected with the Loan as Lender may request, together with evidence that there has occurred no material adverse change in the respective financial conditions reflected therein between the respective dates thereof and the date of the Loan closing:

(b) An opinion of counsel to Borrower to the effect, inter alia, that the Loan documents contemplated hereby will be valid and enforceable in accordance with their respective terms; and

(c) Such other documents, instruments, opinions and assurances as Lender shall request, including, without limitation, Borrower's and Guarantor's organizational documents and evidence of authority.

2. The Loan documents and all other instruments and documents required hereby, or relating to Borrower's capacity and authority to make the Loan and to execute the Loan documents and such other documents, instruments, opinions and assurances as Lender may request and all procedures in connection herewith or therewith shall be subject to the approval, as to form and substance, of Lender and Lender's counsel, Messrs. Dewey Ballantine, New York, New York. All persons or entities responsible for the preparation and/or execution of any required documents or instruments and all obligors thereunder, shall be satisfactory to Lender.

3. The Loan shall be made without cost to Lender, and Borrower and Guarantor shall pay, whether or not the Loan closes, the fees and expenses of Lender's counsel, and any other out-of-pocket costs or expenses incurred by Lender. In addition, Borrower and Guarantor shall pay any legal fees or expenses incurred by Lender in connection with any action or proceeding brought in respect of this Commitment. The acceptance of this Commitment shall constitute an undertaking on the part of Borrower and Guarantor to indemnify Lender against claims of brokers arising in connection with the execution of this Commitment or the consummation of the Loan.

4. The Loan closing shall be held on a date within 90 days from the date of the covering letter at the offices of Lender's counsel in New York City, or such other place specified by Lender. If the Loan closing is not held within such 90-day period, Lender's obligations hereunder shall terminate unless Lender, at its option, extends the time for such closing in writing.

5. Borrower and Guarantor recognize that Lender may sell and transfer interests in the Loan to one or more participants or assignees and that all documentation, financial statements, appraisals and other data, or copies thereof, relevant to Borrower, Guarantor or the Loan, may be exhibited to and retained by any such participant or assignee or prospective participant or assignee.

6. This Commitment and the rights and obligations of the parties hereunder shall in all respects be governed by, and construed and enforced in accordance with, the laws of the State of New York (without giving effect to New York's principles of conflicts of law). Borrower and Guarantor hereby irrevocably submit to the non-exclusive jurisdiction of any New York State or Federal court sitting in The City of New York over any suit, action or proceeding arising out of or relating to this Commitment, and Borrower and Guarantor hereby agree and consent that, in addition to any methods of service of process provided for under applicable law, all service of process in any such suit, action or proceeding in any New York State or Federal court sitting in The City of New York may be made by certified or registered mail, return receipt requested, directed to Borrower or Guarantor at the address indicated above to which this Commitment was sent, and service so made shall be complete 5 days after the same shall have been so mailed.

EXHIBIT A

Definitions

Vornado: Initially Vornado Realty Trust, then Borrower upon closing of the contemplated acquisition.

EBITDA: Earnings before interest, taxes, depreciation, and amortization determined in accordance with GAAP and adjusted for non-recurring items (e.g., out-parcel sales).

Combined EBITDA: 100% of EBITDA from Vornado's wholly-owned properties and Vornado's pro rata share of EBITDA from joint venture properties.

Combined Interest Expense: The total Interest Expense of Vornado's wholly-owned properties and Vornado's pro rata share of Interest Expense from joint venture properties.

Capitalization Value: Includes: (i) Vornado's past four quarters combined EBITDA capitalized at 9%; (ii) Cash and Cash equivalents; and (iii) projects under development at cost. For the purposes of this calculation, Vornado combined EBITDA attributable to leasing commissions, management fees or development fees shall not exceed 5% of Vornado Combined EBITDA.

Total Adjusted Outstanding Indebtedness: Includes: (i) 100% of all outstanding unsecured and secured indebtedness (excluding margin debt on cash and cash equivalent securities) for Vornado and its wholly-owned properties; (ii) Vornado's pro rata shares of debt from joint venture properties; and (iii) Vornado's recourse contingent obligations.

Equity Value: Capitalization Value less Total Adjusted Outstanding Indebtedness.

Unencumbered Combined EBITDA: 100% of EBITDA for Vornado's wholly-owned unencumbered properties and Vornado's pro rata share of EBITDA from unencumbered joint venture properties.

Total Adjusted Unsecured Outstanding Indebtedness: Includes: (i) 100% of all outstanding unsecured indebtedness for Vornado and its wholly-owned properties; (ii) Vornado's pro rata share of

unsecured debt from joint venture properties; and (iii) Vornado's recourse contingent obligations.

Representations and Warranties

- - Valid existence and authority.

- - Binding effect of agreement.

- - Fair presentation of financial information.

- - No material adverse change.

- - No litigation with probability of material loss.

- - Compliance with applicable laws, including relevant environmental laws.

- - Payment of taxes.

- - Full disclosure (no representation will be made with respect to projections).

- - Existence of insurance.

- - Valid existence of material subsidiaries.

Financial Covenants

At all times, Vornado is to maintain the following covenants and ratios (quarterly test):

- - Minimum Vornado Equity Value of $600 million.

- - Total Adjusted Outstanding Indebtedness not to exceed 55% of Vornado Capitalization Value.

- - The ratio of Combined EBITDA to Combined Interest Expense, for the prior four quarters, shall not be less than 2.25 to 1.00.

- - Secured Indebtedness not to exceed 35% of Vornado Capitalization Value.

- - The ratio of Combined EBITDA, for the prior four quarters, to the current Total Adjusted Outstanding Indebtedness less all unrestricted Cash and Cash Equivalents shall not be less than 16%.

- - The ratio of Unencumbered Combined EBITDA, for the prior four quarters, to the current Total Adjusted Unsecured Outstanding Indebtedness less all unrestricted Cash and Cash Equivalents shall not be less than 16%.

Provision of the following information on a quarterly (unaudited) basis:

- - Statement from a qualified representative of Vornado acceptable to Lender presenting and certifying covenant compliance.

Provision of the following information as necessary:

- - Notice of material default.

- - Copies of any documents filed with the SEC by Vornado or any subsidiaries thereof.

- - Notification of the bankruptcy or cessation of operations of any tenant to which greater than 4% of Vornado's consolidated minimum rent is attributable.

- - Notification of any asset acquisition or asset sale in excess of $25 million.

- - Full information as to Vornado's insurance coverage.

- - Other information as reasonably requested by Lender.

- - Maintenance of existence, maintenance of properties, maintenance of insurance, payment of taxes and compliance with all applicable laws and regulations.

- - Inspection of property, books and records at Lender's reasonable request.

Negative Covenants
- ------------------

- - No encumbrance or indebtedness on any unencumbered assets now held or hereafter acquired by Vornado.

- - No additional encumbrance or indebtedness on any currently encumbered assets.

Mandatory Prepayment Events
- ---------------------------

- - Merger, unless Borrower is the surviving entity.

- - Sale of any asset or assets totaling more than 25% of Borrower's Capitalization Value.

- - Cumulative total investments in minority interests in shares of other companies in excess of 15% of Capitalization Value (not to include existing investments in minority interests in shares of other companies).

- - Proceeds from any capital events (financings, equity offerings or otherwise) shall be applied to prepayment of the Loan.

Events of Default

- - Failure to pay principal when due.

- - Failure to pay interest within five days after due.

- - Violation of covenants, subject, where appropriate, to cure or grace periods to be negotiated.

- - Material inaccuracy of any representation or warranty.

- - Cross-default to recourse debt obligations in excess of $10 million.

- - Insolvency or bankruptcy of Borrower, Guarantor or a subsidiary to which more than $100 million of Total Market Capitalization is attributable.

- - Judgment defaults in excess of $10 million that remain unremedied.

- - Failure of Guarantor to remain a publicly traded, stock exchange listed company and to qualify as a real estate investment trust.

[UNION BANK OF SWITZERLAND LETTERHEAD]

March 7, 1997

Vornado Realty Trust
Park 80 West, Plaza II
Saddle Brook, New Jersey 07663

Attention: Mr. Joseph Macnow

Re: Facility Fee

Gentlemen:

With respect to our commitment letter issued simultaneously herewith, you agree to pay to UBS (for UBS' own account), the sum of $500,000 as a facility fee upon the closing of the Loan referred to therein.

In addition, Borrower shall pay to UBS (for UBS' own account) an extension fee of $500,000 per extension as a condition to the effectiveness of each of the two extensions provided for in said commitment.

This letter constitutes your agreement to pay the foregoing and may not be modified, supplemented, amended or terminated except by a writing executed by you and us.

Very truly yours,

UNION BANK OF SWITZERLAND
(NEW YORK BRANCH)

By: /s/ Brent Davis

Name: Brent Davis
Title:

By: /s/ Joseph Bassil

Name: JOSEPH BASSIL
Title: VICE PRESIDENT

Accepted and agreed to this
12 day of March, 1997.

VORNADO REALTY TRUST

By; /s/ Joseph Macnow

Name: Joseph Macnow
Title:

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

THE PARTNERS
TWO PENN PLAZA ASSOCIATES L.P.

We consent to the incorporation by reference in the Prospectus Supplement dated March 26, 1997, to the Prospectus dated December 26, 1995, of Vornado Realty Trust of our report dated January 15, 1997, except for Note 2, as to which the date is March 12, 1997, on the financial statements of Two Penn Plaza Associates L.P., as of December 31, 1996 and 1995, and the related statements of operations, changes in Partners' capital and cash flows for each of the years in the three-year period ended December 31, 1996, which report appears in the Form 8-K of Vornado Realty Trust dated March 12, 1997, and to the reference to our firm under the heading "Experts" in the Prospectus Supplement.

Friedman Alpren & Green LLP

New York, New York
March 26, 1997

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

THE PARTNERS
B&B PARK AVENUE L.P.

We consent to the incorporation by reference in the Prospectus Supplement dated March 26, 1997, to the Prospectus dated December 26, 1995, of Vornado Realty Trust of our report dated January 15, 1997, except for Note 2, as to which the date is March 12, 1997, on the financial statements of B&B Park Avenue L.P., as of December 31, 1996 and 1995, and the related statements of operations, changes in Partners' capital and cash flows for each of the years in the three-year period ended December 31, 1996, which report appears in the Form 8-K of Vornado Realty Trust dated March 12, 1997, and to the reference to our firm under the heading "Experts" in the Prospectus Supplement.

Friedman Alpren & Green LLP

New York, New York
March 26, 1997

EXHIBIT 23.3

CONSENT OF INDEPENDENT AUDITORS

THE PARTNERS
M ELEVEN ASSOCIATES, M 393 ASSOCIATES AND ELEVEN PENN PLAZA COMPANY

We consent to the incorporation by reference in the Prospectus Supplement dated March 26, 1997, to the Prospectus dated December 26, 1995, of Vornado Realty Trust of our report dated January 14, 1997, except for Note 2, as to which the date is March 12, 1997, on the financial statements of M Eleven Associates, M 393 Associates and Eleven Penn Plaza Company, as of December 31, 1996 and 1995, and the related statements of operations, changes in Partners' capital and cash flows for each of the years in the three-year period ended December 31, 1996, which report appears in the Form 8-K of Vornado Realty Trust dated March 12, 1997, and to the reference to our firm under the heading "Experts" in the Prospectus Supplement.

Friedman Alpren & Green LLP

New York, New York
March 26, 1997

EXHIBIT 23.4

CONSENT OF INDEPENDENT AUDITORS

THE PARTNERS
1740 BROADWAY ASSOCIATES, L.P.

We consent to the incorporation by reference in the Prospectus Supplement dated March 26, 1997, to the Prospectus dated December 26, 1995, of Vornado Realty Trust of our report dated January 16, 1997, except for Note 2, as to which the date is March 12, 1997, on the financial statements of 1740 Broadway Associates, L.P., as of December 31, 1996 and 1995, and the related statements of operations, changes in Partners' capital and cash flows for each of the years in the three-year period ended December 31, 1996, which report appears in the Form 8-K of Vornado Realty Trust dated March 12, 1997, and to the reference to our firm under the heading "Experts" in the Prospectus Supplement.

Friedman Alpren & Green LLP

New York, New York
March 26, 1997

EXHIBIT 23.5

CONSENT OF INDEPENDENT AUDITORS

THE MEMBERS
866 U.N. PLAZA ASSOCIATES LLC

We consent to the incorporation by reference in the Prospectus Supplement dated March 26, 1997, to the Prospectus dated December 26, 1995, of Vornado Realty Trust of our report dated January 15, 1997, except for Note 2, as to which the date is March 12, 1997, on the financial statements of 866 U.N. Plaza Associates LLC (formerly 866 U.N. Plaza Associates), as of December 31, 1996 and 1995, and the related statements of operations, changes in Partners' capital and cash flows for each of the years in the three-year period ended December 31, 1996, which report appears in the Form 8-K of Vornado Realty Trust dated March 12, 1997, and to the reference to our firm under the heading "Experts" in the Prospectus Supplement.

Friedman Alpren & Green LLP

New York, New York
March 26, 1997

EXHIBIT 23.6

CONSENT OF INDEPENDENT AUDITORS

The Partners
Two Park Company:

We consent to the incorporation by reference in the prospectus supplement dated March 26, 1997, to the prospectus dated December 26, 1995, of Vornado Realty Trust of our report dated March 14, 1997, with respect to the balance sheets of Two Park Company, a New York general partnership, as of December 31, 1996 and 1995, and the related statements of operations, changes in partners' capital and cash flows for each of the years in the three-year period ended December 31, 1996, which report appears in the Form 8-K of Vornado Realty Trust dated March 12, 1997, and to the reference to our firm under the heading "Experts" in the prospectus supplement.

/s/ KPMG PEAT MARWICK LLP

KPMG Peat Marwick LLP

Boston, Massachusetts
March 26, 1997

Exhibit 99.1

Contact: Joseph Macnow
Vornado Realty Trust
201-587-1000

Roanne Kulakoff
Kekst and Company
212-593-2655

FOR IMMEDIATE RELEASE

VORNADO AND MENDIK COMPANY AGREE TO COMBINE

-- Vornado To Convert to Umbrella Partnership --

New York, NY, March 12, 1997 -- Vornado Realty Trust (NYSE:VNO) and The Mendik Company today announced that they have entered into a definitive agreement, pursuant to which the Mendik Company will combine its operations with Vornado. As part of the transaction, Vornado will convert to an Umbrella Partnership (UPREIT) structure.

The Mendik Company owns and manages a portfolio of commercial office properties in Manhattan, and as contemplated by the agreement, Mendik's interests, covering an aggregate of 4.0 million square feet, in seven midtown buildings, Two Penn Plaza, 1740 Broadway, 866 U.N. Plaza, 11 Penn Plaza, Two Park Avenue, 330 Madison Avenue and 570 Lexington Avenue, will be contributed to the Umbrella Partnership.

Bernard Mendik, who has been a leading owner/manager of office properties in the New York metropolitan area for forty years, will become Co-Chairman of the board of Trustees of Vornado. Steven Roth continues as Vornado's Chairman and Chief Executive Officer.

Mr. Mendik said, "I am excited about the exceptional management team created with Michael Fascitelli, Vornado's president, and David Greenbaum, who is president of The Mendik Company, joining forces with Steven and me." Mr. Roth added, "The financial strength of our combined companies will enable us to capitalize on opportunities, including those in the Manhattan office market.

The estimated consideration in connection with the transaction, which includes Mendik's management and leasing business and personnel, is approximately $654 million, including $269 million in cash, $168 million in privately placed Vornado UPREIT limited partnership units and $217 million in indebtedness.

The closing, which is expected in the second quarter, is subject to receipt of consents from various third parties and other customary conditions; accordingly, there can be no assurance that the proposed transaction will ultimately be completed.

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