

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

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

For the Fiscal Year Ended: DECEMBER 31, 1994

or

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

For the transition period from to

Commission File Number: 1-5098

VORNADO REALTY TRUST
(Exact name of Registrant as specified in its charter)

MARYLAND

22-1657560

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

PARK 80 WEST, PLAZA II, SADDLE BROOK, NEW JERSEY
(Address of Principal Executive Offices)

07663
(Zip Code)

Registrant's telephone number including area code: (201) 587-1000

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares of beneficial interest \$.04 par value per share	New York Stock Exchange

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

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

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

The aggregate market value of the voting shares held by non-affiliates of the
registrant, i.e. by persons other than officers and trustees of Vornado Realty
Trust as reflected in the table in Item 12 of this Annual Report, at March 9,
1995 was \$466,429,315.

As of March 9, 1995, there were 21,697,608 shares of the registrant's shares of
beneficial interest outstanding.

Documents Incorporated by Reference

Part III: Proxy Statement for Annual Meeting of Shareholders to be held May 3,
1995.

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(1) These items are omitted because the Registrant will file a definitive Proxy Statement pursuant to Regulation 14A involving the election of directors with the Securities and Exchange Commission not later than 120 days after December 31, 1994. Information relating to Executive Officers of the Registrant appears on page 10 of this Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS

GENERAL

The Company is a fully-integrated real estate investment trust ("REIT") which owns, leases, develops, redevelops and manages retail and industrial properties primarily located in the Midatlantic and Northeast regions of the United States. The Company's primary focus is on shopping centers. As of December 31, 1994, the Company owned 56 shopping centers in seven states containing 9.5 million square feet, including .9 million square feet built by tenants on land leased from the Company. The Company's shopping centers accounted for 91% and 93%, respectively, of the Company's rental revenue for the years ended December 31, 1994 and 1993. The occupancy rate of the Company's shopping center properties as of December 31, 1994 was 94% and has been over 90% for the past five years. In addition, the Company owns eight warehouse/industrial properties in New Jersey containing 2.0 million square feet and one office building in New Jersey containing 0.1 million square feet.

The Company's shopping centers generally are located on major regional highways in mature, densely populated areas. The Company believes there is strong demand from large tenants relative to the level of supply for retail space in well located shopping centers in densely populated areas in the Midatlantic and Northeast regions of the United States. This is principally a result of the shortage of land in such areas, as well as restrictive zoning which limits the development of retail properties. The Company believes its properties attract consumers from a regional, rather than a neighborhood, marketplace because of (i) their location on regional highways and (ii) the high percentage of square feet dedicated to large, national stores.

As of December 31, 1994, approximately 80% of the square footage of the Company's shopping centers was leased to large stores (over 20,000 square feet) and over 93% was leased to tenants whose businesses are national or regional in scope. The Company's large tenants include discount department stores, supermarkets, home improvements stores, discount apparel stores, membership warehouse clubs, other "destination retailers" and "category killers." Category killers are large stores which offer a complete selection of a category items (e.g., toys, office supplies, etc.) at low prices, often in a warehouse format. The Company's large store tenants typically offer basic consumer necessities such as food, health and beauty aids, moderately priced clothing, building materials and home improvement supplies, and compete primarily on the basis of price. The Company believes that this tenant mix mitigates the effects on its properties of adverse changes in general economic conditions. Substantially all of the Company's large store leases are long-term leases having fixed base rents with step-ups in rent typically occurring every five years.

In addition, the Company's leases generally provide for additional rents based on a percentage of tenants' sales. Of the Company's \$70,755,000 of rental revenue in 1994, base rents accounted for approximately 98.7% and percentage rents accounted for approximately 1.3%. The Company's leases generally pass through to tenants the tenant's share of all common area charges (including roof and structure, unless it is the tenant's direct responsibility), real estate taxes and insurance costs and certain capital expenditures. As of December 31, 1994, the average base rent per square foot for the Company's shopping centers was \$8.05.

From 1990 through 1994, the Company's property rental revenue for shopping centers (including the effects of straight-lining of rents) was \$52,000,000, \$54,700,000, \$56,900,000, \$61,900,000 and \$64,700,000, respectively. Straight-lining of rents averages the rent increases provided for in leases such that rental revenue for financial statement purposes is constant throughout the term of the lease. This convention applies to leases entered into after November 14, 1985.

As of December 31, 1994, no single shopping center property accounted for more than 3.1% of the Company's total leasable area for its shopping center properties or more than 5.7% of annualized rental revenue for its shopping center properties. Bradlees, Inc. accounted for 19% of property rentals for the year ended December 31, 1994 and 18% for the years ended December 31, 1993 and 1992.

ITEM 1. BUSINESS - continued

Vornado, Inc., the immediate predecessor to the Company, was merged with the Company on May 6, 1993 in connection with the Company's conversion to a REIT.

The Company administers all operating functions, including leasing, management, construction, finance, legal, accounting and data processing, from its executive offices (other than the leasing of the Company's three Texas properties, which is done by an employee locally).

The Company's principal executive offices are located at Park 80 West, Plaza II, Saddle Brook, New Jersey 07663; telephone (201) 587-1000.

RELATIONSHIP WITH ALEXANDER'S

On March 2, 1995, following bankruptcy court approval of the loan and management arrangements described below, the Company purchased all of the 1,353,468 shares of common stock of Alexander's, Inc. ("Alexander's") owned by Citibank, N.A. ("Citibank") for \$40.50 per share in cash (the "Acquisition"), representing 27.1% of the outstanding common stock of Alexander's. After the Acquisition, the Company owns 29.3% of the outstanding shares of common stock of Alexander's. Interstate Properties, which owns 31% of the common shares of beneficial interest of the Company, currently owns 27.1% of the outstanding shares of Alexander's common stock. Alexander's common stock is listed on the New York Stock Exchange under the symbol "ALX". Alexander's will elect to qualify as a REIT in 1995.

Alexander's owns eight properties (where its former department stores were located) consisting of (i) 39.3 acres at the intersection of Routes 4 and 17 in Paramus, New Jersey to be redeveloped into a shopping center, (ii) a 359,000 square foot building (currently being rehabed) leased to Sears, Caldor and Marshalls on Queens Boulevard and 63rd Road in Rego Park, Queens, New York together with one and one-half square blocks of vacant adjacent land, (iii) a general partnership interest and a 92% limited partnership interest in the square block, including a 418,000 square foot building, between Lexington Avenue and Third Avenue and 58th and 59th Street in Manhattan, New York, to be developed, (iv) 50% of the 427,000 square feet of mall stores at the Kings Plaza regional shopping center on Flatbush Avenue in Brooklyn, New York, (v) a 320,000 square foot anchor store which is one of the two anchor stores at the Kings Plaza regional shopping center, which is to be redeveloped, (vi) a 303,000 square foot building leased to Caldor on Fordham Road in the Bronx, New York, (vii) 177,000 square foot building subleased to Caldor at Roosevelt Avenue and Main Street in Flushing, New York and (viii) 173,000 square foot building leased to Conways located at Third Avenue and 157th Street in the Bronx, New York.

The Company and Alexander's have entered into a three year management and development agreement (the "Management Agreement") under which the Company has agreed to manage all Alexander's business affairs and manage and develop Alexander's properties for an annual fee of \$3,000,000; plus 6% of development costs with a minimum guaranteed fee for the development portion of \$1,650,000 in the first year and \$750,000 in each of the second and third years. Pursuant to the Management Agreement, Mr. Roth, the Company's Chairman and Chief Executive Officer, also became Chief Executive Officer of Alexander's.

The fees pursuant to the Management Agreement discussed above, are in addition to leasing fees the Company receives from Alexander's under a leasing agreement in effect since 1992. The term of the leasing agreement has been extended to be co-terminus with the term of the Management Agreement.

On March 15, 1995, the Company and a bank lent Alexander's \$75,000,000 in a secured financing, of which \$45,000,000 was funded by the Company and the balance was funded by the bank. The Company's loan, which is subordinate to that of the bank, has a three year term and bears interest at 16.43% per annum for the first two years and at a fixed rate for the third year of 992 basis points over one year treasury bills. In addition, Alexander's paid a loan origination fee of \$1,500,000 to the Company.

In connection with the Acquisition, the Company and Interstate are restricted for three years from owning in excess of two-thirds of Alexander's common stock or entering into certain other transactions with Alexander's, without the consent of the independent directors of Alexander's.

ITEM 1. BUSINESS - continued

COMPETITION

The leasing of real estate is highly competitive. The principal means of competition are price, location and the nature and condition of the facility to be leased. The Company directly competes with all lessors and developers of similar space in the areas in which its properties are located.

ENVIRONMENTAL REGULATIONS

See "Note 10 - Contingencies" to the Consolidated Financial Statements at page 30.

EMPLOYEES

The Company employs 64 people.

SEGMENT AND OTHER FINANCIAL DATA

"Note 11 - Business Segments" to the Consolidated Financial Statements at page 30, and the information concerning financial condition contained in the statement "Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition" at page 13, are incorporated herein by reference. Vornado engages in no foreign operations.

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ITEM 2. PROPERTIES

The Company leases 27,000 square feet in Saddle Brook, New Jersey for use as its executive offices.

The following table sets forth certain information as of December 31, 1994 relating to the properties owned by the Company.

	LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	TYPE OF OWNERSHIP INTEREST	LAND AREA (ACRES)	LEASABLE BUILDING AREA (SQ. FT)	GROUND LEASED AREA (SQ. FT)	NUMBER OF TENANTS 12/31/94
SHOPPING CENTERS							
NEW JERSEY	Atlantic City	1965	Fee	17.7	135,774	-	2
	Bordentown	1958	Fee	31.2	178,678	-	3
	Bricktown	1968	Fee	23.9	259,888	2,764	20
	Cherry Hill	1964	Fee	37.6	231,142	63,511	13
	Delran	1972	Fee	17.5	167,340	1,200	4
	Dover	1964	Fee	19.6	172,673	-	11
	East Brunswick	1957	Fee	19.2	219,056	10,400	7
	East Hanover	1962	Fee	24.6	271,066	-	15
	Hackensack	1963	Fee	21.3	189,699	59,249	17
	Jersey City	1965	Fee	16.7	222,478	3,222	11
	Kearny	1959	Fee	35.3	41,518	62,471	6
	Lawnside	1969	Fee	16.4	142,136	-	2
	Lodi	1975	Fee	8.7	130,000	-	1
	Manalapan	1971	Fee	26.3	194,265	2,000	7
	Marlton	1973	Fee	27.8	173,238	6,836	9
	Middletown	1963	Fee	22.7	179,584	52,000	20
	Morris Plains	1985	Fee	34.8	171,493	1,000	17
North Bergen	1959	Fee	4.6	6,515	55,597	3	
North Plainfield	1989	Ground Lease		28.7	217,360	-	12
Totowa	1957	Fee	40.5	201,471	93,613	6	

	LOCATION	AVERAGE ANNUALIZED BASE RENT PER SQ.FT. (1)	PERCENT LEASED (1)	PRINCIPAL TENANTS (OVER 40,000 SQ. FT.)	LEASE EXPIRATION/ OPTION EXPIRATION
SHOPPING CENTERS					
NEW JERSEY	Atlantic City	\$4.81	90%	Sam's Wholesale	1999
	Bordentown	5.19	100%	Bradlees (2) (3) Shop-Rite	2001/2021 2011/2016
	Bricktown	10.12	100%	Caldor	2008/2028

				Shop-Rite	2002/2017
Cherry Hill	7.45	93%		Bradlees (2) (3) Shop & Bag Toys "R" Us (4)	2006/2026 2007/2017 2012/2042
Delran	5.11	92%		Sam's Wholesale	2011/2021
Dover	5.38	98%		Jamesway Shop-Rite	2003/2013 2012/2022
East Brunswick	8.98	100%		Bradlees (3) Shoppers World	2003/2023 2007/2012
East Hanover	9.65	98%		Home Depot Pathmark Today's Man	2009/2019 2001/2024 2009/2014
Hackensack	14.03	100%		Bradlees (3) Channel Pathmark	2012/2017 2003/2013 2014/2024
Jersey City	10.76	99%		Bradlees (3) Shop-Rite	2002/2022 2008/2028
Kearny	7.69	100%		Pathmark Channel (4)	2013/2033 2008
Lawnside	8.74	100%		Home Depot	2012/2027
Lodi	8.37	100%		National Wholesale Liq.	2013/2023
Manalapan	8.77	100%		Bradlees (3) Grand Union	2002/2022 2012/2022
Marlton	7.46	98%		Bradlees (2) (3) Shop-Rite	2011/2031 1999/2009
Middletown	10.27	97%		Bradlees (3) Grand Union	2002/2022 2009/2029
Morris Plains	10.63	97%		Caldor	2002/2023
North Bergen	25.78	100%		Waldbaum's	2012/2032
North Plainfield	7.96	92%		K Mart Pathmark	2006/2016 2001/2011
Totowa	13.70	95%		Bradlees (3) Home Depot (5)	2013/2028 -

	LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	TYPE OF OWNERSHIP INTEREST	LAND AREA (ACRES)	LEASABLE BUILDING AREA (SQ. FT)	GROUND LEASED AREA (SQ. FT)	NUMBER OF TENANTS 12/31/94
SHOPPING CENTERS	Turnersville	1974	Fee	23.3	89,453	6,513	3
	Union	1962	Fee	24.1	257,045	-	12
	Vineland	1966	Fee	28.0	143,257	-	6
	Watchung	1959	Fee	53.8	23,500	115,660	2
	Woodbridge	1959	Fee	19.7	232,755	3,614	11
NEW YORK	14th Street and Union Square, Manhattan	1993	Fee	0.8	231,770	-	1
	Albany (Menands)	1965	Fee	18.6	140,529	-	2
	Buffalo (Amherst)	1968	Ground Lease (90%)	22.7	184,832	100,034	7
	Freeport	1981	Fee	12.5	166,587	-	3
	New Hyde Park	1976	Leasehold	12.5	101,454	-	1
	North Syracuse	1976	Leasehold	29.4	98,434	-	1
	Rochester (Henrietta)	1971	Ground Lease	15.0	147,812	-	2
	Rochester	1966	Fee	18.4	176,261	-	3
PENNSYLVANIA	Allentown	1957	Fee	86.8	197,534	74,125	15
	Bensalem	1972	Fee	23.2	208,174	6,714	14
	Bethlehem	1966	Fee	23.0	157,212	2,654	8
	Broomall	1966	Fee	21.0	145,776	22,355	4
	Glenolden	1975	Fee	10.0	101,235	-	3
	Lancaster	1966	Fee	28.0	179,982	-	9
	Levittown	1964	Fee	12.8	104,448	-	1
	10th and Market Streets, Philadelphia	1994	Fee	1.8	271,300	-	1
	Upper Moreland	1974	Fee	18.6	122,432	-	1
	York	1970	Fee	12.0	113,294	-	3
MARYLAND	Baltimore (Belair Rd.)	1962	Fee	16.0	205,723	-	2
	Baltimore (Towson)	1968	Fee	14.6	146,393	6,800	7
	Baltimore (Dundalk)	1966	Fee	16.1	183,361	-	17

	LOCATION	AVERAGE ANNUALIZED BASE RENT PER SQ.FT. (1)	PERCENT LEASED (1)	PRINCIPAL TENANTS (OVER 40,000 SQ. FT.)	LEASE EXPIRATION/ OPTION EXPIRATION
SHOPPING CENTERS	Turnersville	4.67	100%	Bradlees (2) (3)	2011/2031
	Union	14.87	100%	Bradlees (3) Toys "R" Us	2002/2022 2015
	Vineland	4.74	100%	Jamesway Channel	1998/2018 2005/2010
	Watchung	17.20	100%	B.J. Wholesale	2024

	Woodbridge	9.16	99%	Bradlees (3) Foodtown (4)	2002/2022 2007/2014
NEW YORK	14th Street and Union Square, Manhattan	9.92	100%	Bradlees	2019/2029
	Albany (Menands)	5.79	100%	Norstar Bank Grand Union (6) (4)	2004/2014 2000
	Buffalo (Amherst)	5.67	92%	Media Play MJ Design (5) Toys "R" Us T.J. Maxx	2002/2017 - 2013 1999
	Freeport	10.81	100%	Home Depot	2011/2021
	New Hyde Park	7.51	100%	Bradlees	2019/2029
	North Syracuse	-	100%	Reisman Properties (owner of shopping center)	2014
	Rochester (Henrietta)	5.22	68%	Hechinger Marshalls (4)	2005/2025 1998/2003
	Rochester	6.01	55%	Hechinger	2005/2025
PENNSYLVANIA	Allentown	8.18	100%	Hechinger Shop-Rite Burlington Coat Factory	2011/2031 2011/2021 2017
	Bensalem	6.21	89%	Bradlees (2) (3) (6)	2011/2031
	Bethlehem	5.12	45%	Pathmark	2000/2023
	Broomall	6.33	89%	Bradlees (2) (3)	2006/2026
	Glenolden	9.72	100%	Bradlees (2) (3)	2012/2022
	Lancaster	4.28	99%	Jamesway Weis Markets	2013 1998/2018
	Levittown	4.67	100%	Bradlees (2) (3)	2006/2026
	10th and Market Streets, Philadelphia	-	62%	Clover (5)	-
	Upper Moreland	7.50	100%	Sam's Wholesale (2)	2010/2015
	York	4.46	100%	Builders Square	2009/2018
MARYLAND	Baltimore (Belair Rd.)	5.95	65%	Big B Food Warehouse	1999/2004
	Baltimore (Towson)	9.25	100%	Staples	2004
	Baltimore (Dundalk)	6.35	100%	Various Tenants	-

	LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	TYPE OF OWNERSHIP INTEREST	LAND AREA (ACRES)	LEASABLE BUILDING AREA (SQ. FT)	GROUND LEASED AREA (SQ. FT)	NUMBER OF TENANTS 12/31/94
SHOPPING CENTERS	Glen Burnie	1958	Fee	21.2	117,369	3,100	5
	Hagerstown	1966	Fee	13.9	133,343	14,965	4
CONNECTICUT	Newington	1965	Fee	19.2	134,229	45,000	5
	Waterbury	1969	Fee	19.2	139,717	2,645	10
MASSACHUSETTS	Chicopee	1969	Fee	15.4	112,062	2,851	3
	Milford	1976	Leasehold	14.7	83,000	-	1
	Springfield	1966	Fee	17.4	-	117,044	1
TEXAS	Lewisville	1990	Fee	13.3	34,893	1,204	15
	Mesquite	1990	Fee	5.5	71,246	-	13
	Dallas	1990	Fee	9.9	99,733	-	9
	Total Shopping Centers			1,187.5	8,561,519	939,141	391
WAREHOUSE/ INDUSTRIAL	E. Brunswick	1972	Fee	16.1	325,800	-	1
	E. Hanover	1963-1967	Fee	45.5	941,429	-	8
	Edison	1982	Fee	18.7	272,071	-	1
	Garfield	1959	Fee	31.6	486,620	-	3
	Total Warehouse/ Industrial			111.9	2,025,920	-	13
OTHER PROPERTIES	Paramus	1987	Ground Lease	3.4	118,225	-	22
	Montclair	1972	Fee	1.6	16,928	-	-
	Rahway	1972	Leasehold	-	32,000	-	1
	Total Other Properties			5.0	167,153	-	23
	Grand Total			1,304.4	10,754,592	939,141	427

	LOCATION	AVERAGE ANNUALIZED BASE RENT PER SQ.FT. (1)	PERCENT LEASED (1)	PRINCIPAL TENANTS (OVER 40,000 SQ. FT.)	LEASE EXPIRATION/ OPTION EXPIRATION
SHOPPING CENTERS	Glen Burnie	5.77	100%	Rickel Home Center (6)	2005
	Hagerstown	2.81	85%	Pharmhouse Weis Markets	2008/2012 1999/2009
CONNECTICUT	Newington	5.87	100%	Bradlees (3) Rickel Home Center	2002/2022 2007/2027
	Waterbury	7.58	100%	Toys "R" Us Finast Supermarkets	2010 2003/2018
MASSACHUSETTS	Chicopee	4.85	100%	Bradlees (3)	2002/2022
	Milford	5.01	100%	Bradlees (3)	2004/2009
	Springfield	-	100%	Wal*Mart	2018/2092
TEXAS	Lewisville	12.64	100%	Albertson's (7)	2055

	Mesquite	13.25	93%		
	Dallas	9.23	85%	Albertson's (7)	2055
		-----	----		
	Total Shopping Centers	8.05	94%		
		-----	----		
WAREHOUSE/ INDUSTRIAL	E. Brunswick	1.77	97%	Popsicle Playwear IFB Apparel, Inc. (5)	2000/2005 -
	E. Hanover	4.06	61%	Various Tenants	-
	Edison	2.49	100%	White Cons. Ind., Inc.	1995/1998
	Garfield	3.34	38%	Popular Services & Various Tenants	1997
	Total Warehouse/ Industrial	----- 3.20 -----	---- 67% ----		
OTHER PROPERTIES	Paramus	16.57	64%		
	Montclair	-	100%	(5)	-
	Rahway	4.88	100%		
		-----	----		
	Total Other Properties	13.01	75%		
		-----	----		
	Grand Total	\$7.42 =====	89% =====		

(1) Average annualized base rent per square foot does not include rent for leases which have not commenced as of December 31, 1994 or rent for ground leases (which leases are included in percent leased).

(2) The tenant at these locations has subleased or assigned its space from Montgomery Ward & Co., Inc. which remains liable under the lease for that portion of the rent not exceeding the rent previously payable by Montgomery Ward.

(3) These leases are guaranteed by the Stop & Shop Companies, Inc.

(4) Tenant occupies between 30,000 and 39,000 square feet.

(5) These leases had not commenced as of December 31, 1994 and are not included in the "number of tenants" column.

(6) The tenant has ceased operations at these locations but continues to pay rent.

(7) Square footage excludes Albertson's which owns its land and building.

INSURANCE

The Company carries comprehensive liability, fire, flood, extended coverage and rental loss insurance with respect to its properties with policy specifications and insured limits customarily carried for similar properties. Management of the Company believes that the Company's insurance coverage conforms to industry norms.

ITEM 3. LEGAL PROCEEDINGS

The Company is from time to time involved in legal actions arising in the ordinary course of its business. In the opinion of management, after consultation with legal counsel, the outcome of such matters will not have a material effect on the Company's financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the year ended December 31, 1994.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following is a list of the names, ages, principal occupations and positions with Vornado of the executive officers of Vornado and the positions held by such officers during the past five years. All executive officers of Vornado have terms of office which run until the next succeeding meeting of the Board of Trustees of Vornado following the Annual Meeting of Shareholders unless they are removed sooner by the Board.

Name ----	Age ---	Principal Occupation, Position and Office (current and during past five years with Vornado unless otherwise stated) -----
Steven Roth	53	Chairman of the Board and Chief Executive Officer; Chairman of the Executive Committee of the Board; a General Partner of Interstate Properties, a developer and operator of shopping centers and an investor in securities and partnerships.
Richard T. Rowan	48	Vice President - Real Estate
Joseph Macnow	49	Vice President - Chief Financial Officer

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Vornado's common shares are traded on the New York Stock Exchange.

Quarterly price ranges of the common shares and dividends per share paid for the years ended December 31, 1994 and 1993 were as follows:

Quarter	YEAR ENDED DECEMBER 31, 1994			YEAR ENDED DECEMBER 31, 1993		
	High	Low	Dividends	High	Low	Dividends *
1st	\$36.50	\$31.50	\$.50	\$34.82	\$24.83	\$.31
2nd	37.50	32.25	.50	41.50	33.00	.31
3rd	37.50	34.00	.50	42.00	35.00	.44
4th	35.88	30.50	.50	41.25	32.25	.44

* Does not include a special dividend of \$3.36 per share of accumulated earnings and profits paid in June 1993.

The approximate number of record holders of common shares of Vornado at December 31, 1994, was 2,000.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

	Year Ended				
	December 31, 1994	December 31, 1993	December 31, 1992	December 31, 1991	December 31, 1990(1)

OPERATING DATA	(in thousands, except share and per share amounts)				

Revenues:					
Property rentals	\$ 70,755	\$ 67,213	\$ 63,186	\$ 61,371	\$ 58,524
Expense reimbursements	21,784	19,839	17,898	16,865	16,938
Other income	1,459	1,738	913	262	111

Total Revenues	93,998	88,790	81,997	78,498	75,573

Expenses:					
Operating	30,223	27,994	27,587	25,848	25,393
Depreciation and amortization	9,963	9,392	9,309	9,115	8,491
General and administrative	6,495	5,890	4,612	4,770	6,121
Costs incurred in connection with the merger Vornado, Inc. into Vornado Realty Trust	--	856	--	--	--
Cost incurred upon exercise of a stock option by an officer and subsequent repurchase of a portion of the shares	--	--	15,650	--	--

Total Expenses	46,681	44,132	57,158	39,733	40,005

Operating income	47,317	44,658	24,839	38,765	35,568
Interest and dividend income	7,489	11,620	8,555	9,303	12,125
Interest and debt expense	(14,209)	(31,155)	(33,910)	(34,930)	(35,120)
Net gain (loss) on marketable securities	643	263	2,779	4,862	(1,836)

Income from continuing operations before income taxes and extraordinary item	41,240	25,386	2,263	18,000	10,737
Provision (benefit) for income taxes	--	(6,369)	1,080	7,527	4,414

Income from continuing operations before extraordinary item	\$ 41,240	\$ 31,755	\$ 1,183	\$ 10,473	\$ 6,323

Weighted average number of shares outstanding	21,853,720	19,790,448	16,559,330	16,324,895	16,357,643
Income per share from continuing operations	\$ 1.89	\$ 1.60	\$.07	\$.64	\$.39
Cash dividends declared	2.00	1.50*	1.15	1.08	.27
* Does not include special dividend of \$3.36 per share of accumulated earnings and profits paid in June 1993.					

BALANCE SHEET DATA					
As at:					
Total assets	\$ 393,538	\$ 385,830	\$ 420,616	\$ 393,447	\$ 387,866
Real estate, at cost	365,832	340,415	314,651	305,123	303,511
Accumulated depreciation	128,705	118,742	111,142	103,520	100,501
Long-term debt	234,160	235,037	341,701	345,608	357,459
Shareholders' equity (deficit)	116,688	115,737	(3,242)	8,125	15,421

OTHER DATA					
Funds from operations (2):					
Income from continuing operations before income taxes and extraordinary item	\$ 41,240	\$ 25,386	\$ 2,263	\$ 18,000	\$ 10,737
Depreciation and amortization (including debt issuance costs)	10,839	11,435	11,470	11,279	10,691
Straight-lining of rental income	(2,181)	(2,200)	(2,200)	(2,200)	(2,109)
(Gains)/losses on sale of securities available for sale	(51)	(263)	(846)	(1,932)	3,295
Costs incurred in connection with the merger/upon exercise of a stock option	--	856	15,650	--	--

Funds from operations	\$ 49,847	\$ 35,214	\$ 26,337	\$ 25,147	\$ 22,614

Eleven Months
Ended
December 31,
1990(1)

OPERATING DATA	(in thousands, except share and per share amounts)				
Revenues:					
Property rentals		\$ 53,768			
Expense reimbursements		15,468			
Other income		111			

Total Revenues	69,347
Expenses:	
Operating	23,101
Depreciation and amortization	7,824
General and administrative	5,527
Costs incurred in connection with the merger Vornado, Inc. into Vornado Realty Trust	--
Cost incurred upon exercise of a stock option by an officer and subsequent repurchase of a portion of the shares	--
Total Expenses	36,452
Operating income	32,895
Interest and dividend income	11,051
Interest and debt expense	(32,189)
Net gain (loss) on marketable securities	(3)
Income from continuing operations before income taxes and extraordinary item	11,754
Provision (benefit) for income taxes	4,827
Income from continuing operations before extraordinary item	\$ 6,927
Weighted average number of shares outstanding	16,357,643
Income per share from continuing operations	\$.42
Cash dividends declared	.27
* Does not include special dividend of \$3.36 per share of accumulated earnings and profits paid in June 1993.	
BALANCE SHEET DATA	
As at:	
Total assets	\$ 387,866
Real estate, at cost	303,511
Accumulated depreciation	100,501
Long-term debt	357,459
Shareholders' equity (deficit)	15,421
OTHER DATA	
Funds from operations (2):	
Income from continuing operations before income taxes and extraordinary item	\$ 11,754
Depreciation and amortization (including debt issuance costs)	9,746
Straight-lining of rental income	(1,933)
(Gains)/losses on sale of securities available for sale	1,443
Costs incurred in connection with the merger/upon exercise of a stock option	
Funds from operations	\$ 21,010

(1) In 1990, the Company changed to a calendar year end from a fiscal year ending on the last Saturday in January. The amounts for the year ended December 31, 1990 are included for comparative purposes only.

(2) 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.

Amounts included in revenues and expenses have been reclassified to conform with the current year's presentation.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 1994
AND DECEMBER 31, 1993

Funds from operations improved to \$49,847,000 in 1994 from \$35,214,000 in 1993, an increase of \$14,633,000 or 41.5%.

Funds from operations is defined as income from continuing operations before income taxes plus depreciation and amortization (including debt issuance costs) less straight-lining of rents and realized gains on securities available for sale and excluding costs incurred in connection with the merger of Vornado, Inc. into Vornado Realty Trust in 1993. 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. Nonetheless, management considers funds from operations an appropriate supplemental measure of the Company's operating performance.

The Company's revenues, which consist of property rentals, tenant expense reimbursements and other income were \$93,998,000 in 1994, compared to \$88,790,000 in 1993, an increase of \$5,208,000 or 5.9%.

Property rentals from shopping centers were \$63,778,000 in 1994, compared to \$60,919,000 in 1993, an increase of \$2,859,000 or 4.7%. This increase resulted from rental step-ups in leases which are not subject to the straight-line method of revenue recognition of \$1,700,000 and \$1,300,000 of rents from tenants at expansions of shopping centers. Property rentals from new tenants were approximately the same as property rentals lost from vacating tenants. Property rentals from the remainder of the portfolio were \$6,090,000 in 1994 as compared to \$5,340,000 in 1993, an increase of \$750,000 or 14.0%. This increase resulted primarily from property rentals received from new tenants exceeding property rentals lost from vacating tenants. Percentage rent was \$887,000 in 1994 as compared to \$954,000 in 1993.

Tenant expense reimbursements were \$21,784,000 in 1994, compared to \$19,839,000 in 1993, an increase of \$1,945,000. This increase reflects a corresponding increase in operating expenses passed through to tenants.

Other income was greater in 1993 than in 1994 primarily as a result of reimbursements recognized under the Company's leasing agreement with Alexander's in 1993.

Operating expenses were \$30,223,000 in 1994 as compared to \$27,994,000 in 1993, an increase of \$2,229,000. This increase resulted primarily from an increase in real estate taxes, snow removal costs and other common area maintenance charges.

Depreciation and amortization expense increased in 1994 primarily as a result of the completion of property expansions.

General and administrative expenses were \$6,495,000 in 1994 as compared to \$5,890,000 in 1993, an increase of \$605,000. This increase resulted from higher professional fees and payroll.

Investment income from cash and cash equivalents, and marketable securities, net of amounts due for U.S. Treasury obligations (collectively, "Liquid Investments"), was \$8,132,000 in 1994 compared to \$11,883,000 in 1993, a decrease of \$3,751,000 or 31.6%. The change in investment income resulted primarily from a decrease in interest and dividend income of \$4,131,000 as a result of lower average investments due to the use of approximately \$100,000,000 to reduce debt in November 1993, partially offset by an increase in net gains on marketable securities.

Interest and debt expense was \$14,209,000 in 1994 as compared to \$31,155,000 in 1993, a decrease of \$16,946,000 or 54.3%. Of this decrease, (i) \$14,586,000 resulted from the refinancing of a blanket mortgage loan (see Note 6), and (ii) \$1,300,000 resulted from an increase in capitalized interest during construction.

The Company operates in a manner intended to enable it to continue to qualify as a real estate investment trust ("REIT") under Sections 856-860 of the Internal Revenue Code of 1986 as amended (the "Code"). Under those sections, a REIT which distributes at least 95% of its REIT taxable income to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. The Company has distributed to its shareholders an amount greater than its taxable income. Therefore, no provision for Federal income taxes is required. In 1993, as

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)

a result of the Company's conversion to a REIT, the deferred tax balance of \$6,369,000 at December 31, 1992 was reversed.

RESULTS OF OPERATIONS YEARS ENDED DECEMBER 31, 1993 AND DECEMBER 31, 1992

Funds from operations improved to \$35,214,000 in 1993 from \$26,337,000 in 1992, an increase of \$8,877,000 or 33.7%.

The Company's revenues, which consist of property rentals, tenant expense reimbursements and other income were \$88,790,000 in 1993, compared to \$81,997,000 in 1992, an increase of \$6,793,000 or 8.3%.

Property rentals from shopping centers were \$60,919,000 in 1993, compared to \$56,185,000 in 1992, an increase of \$4,734,000 or 8.4%. This increase resulted from rental step-ups in existing tenant leases which are not subject to the straight-line method of revenue recognition of \$2,061,000 and property rentals received from new tenants exceeding property rentals lost from vacating tenants. Property rentals from the remainder of the portfolio were \$5,340,000 in 1993 as compared to \$6,316,000 in 1992, a decrease of \$976,000 or 15.4%. Of this decrease (i) \$477,000 resulted from the closing of the outlet department store at the Company's Watchung, New Jersey location on June 1, 1993 as part of a redevelopment plan (see Liquidity and Capital Resources) and (ii) \$499,000 resulted from the excess of property rentals lost from vacating tenants over property rentals received from new tenants. Percentage rent was \$954,000 in 1993 as compared to \$685,000 in 1992.

Tenant expense reimbursements were \$19,839,000 in 1993, compared to \$17,898,000 in 1992, an increase of \$1,941,000. This increase relates to a corresponding increase in operating expenses passed through to tenants and reimbursements from tenants under leases which commenced subsequent to January 1, 1992.

Other income increased as a result of reimbursements of \$750,000 recognized in 1993 under the Company's leasing agreement with Alexander's and a full year of management fees received from Interstate Properties in 1993 as compared to a partial year in 1992.

Operating expenses were \$27,994,000 in 1993 as compared to \$27,587,000 in 1992, an increase of \$407,000. This increase resulted primarily from a rise in real estate taxes offset by savings of \$500,000 in connection with the closing of the abovementioned outlet department store.

Depreciation and amortization expense for 1993 did not change significantly from 1992.

General and administrative expenses were \$5,890,000 in 1993 as compared to \$4,612,000 in 1992, an increase of \$1,278,000. This increase resulted from increases in (i) payroll of \$500,000, of which \$300,000 was applicable to employees added in connection with the management of Interstate Properties (see other income above), (ii) professional fees of \$408,000 and (iii) general corporate office expenses of \$370,000.

In connection with the merger of Vornado, Inc. into Vornado Realty Trust, the Company incurred costs of \$856,000.

Investment income from Liquid Investments was \$11,883,000 in 1993 compared to \$11,334,000 in 1992, an increase of \$549,000 or 4.8%. The change in investment income resulted primarily from an increase in interest and dividend income of \$3,065,000 offset by a decrease in net gains on the sale of marketable securities of \$2,516,000 (including \$1,932,000 from the Company's former investment in a limited partnership, which was liquidated at December 31, 1992 at book value for cash). Of the increase in interest and dividend income, \$1,912,000 was attributable to interest income earned on the net proceeds from the issuance of 5,211,700 common shares of beneficial interest in May 1993, net of a distribution of accumulated earnings and profits and working capital used to prepay a blanket mortgage loan. The balance of the increase resulted from the mix of other investments.

Interest and debt expense was \$31,155,000 in 1993 as compared to \$33,910,000 in 1992, a decrease of \$2,755,000 or 8.1%. Of this decrease, (i) \$1,600,000 resulted from the refinancing of a blanket mortgage loan (see Note 6), and (ii) \$282,000 was due to an increase in capitalized interest during construction.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)

LIQUIDITY AND CAPITAL RESOURCES

On December 31, 1994, the Company had Liquid Investments of \$77,600,000 (excluding unrealized gains on securities available for sale) compared to \$100,400,000 at December 31, 1993, a decrease of \$22,800,000. The decrease in Liquid Investments resulted primarily from (i) dividends paid to shareholders of \$43,200,000 and (ii) capital expenditures of \$25,400,000 exceeding net cash provided from operating activities of \$46,900,000.

The major items of capital expenditures for 1994 were (i) \$11,400,000 for expansions in three shopping centers, (ii) \$3,900,000 for the acquisition of a building in Philadelphia, Pennsylvania and (iii) \$2,100,000 for the tenant improvements at the Company's retail property at 14th Street in Manhattan, New York. The Company has budgeted approximately \$13,500,000 for investment over the next two years of which \$10,000,000 is for future expansions and \$2,000,000 is for tenant improvements at the Company's retail property in Philadelphia, noted above. In addition, the Company will continue its program of upgrading its shopping centers by refurbishing its parking lots (including resurfacing, new lighting, updated landscaping, islands and curbing) and re-roofing of buildings, the cost of which will be substantially reimbursed by tenants in accordance with existing lease terms.

In July 1992, the Company was retained by Alexander's Inc. to act as a special real estate consultant. The Company is due approximately \$12,400,000 for transactions completed to date. Of this amount, the Company was due to receive \$500,000 on July 1, 1994 but has not received such payment. The balance of \$11.9 million will be payable over a seven year period in an amount not to exceed \$2,500,000 in any calendar year until the present value of such installments (calculated at a discount rate of 9% per annum) equals the amount that would have been paid had it been paid on September 21, 1993 or at the time the transactions which gave rise to the commissions occurred, if later. Such receipts are subject to payment of rents by the underlying tenants pursuant to the leases and to the prior satisfaction of all payments to which certain creditors of Alexander's are entitled under the plan of reorganization confirmed by such creditors (see Notes 13-D and 17).

On March 2, 1995, following bankruptcy court approval of the loan and management arrangements described below, the Company purchased all of the 1,353,468 shares of common stock of Alexander's, Inc. ("Alexander's") owned by Citibank, N.A. ("Citibank") for \$40.50 per share in cash (the "Acquisition"), representing 27.1% of the outstanding common stock of Alexander's. After the Acquisition, the Company owns 29.3% of the outstanding shares of common stock of Alexander's. Interstate Properties, which owns 31% of the common shares of beneficial interest of the Company, currently owns 27.1% of the outstanding shares of Alexander's common stock.

The Company and Alexander's have entered into a three year management and development agreement (the "Management Agreement") under which the Company has agreed to manage all Alexander's business affairs and manage and develop Alexander's properties for an annual fee of \$3,000,000; plus 6% of development costs with a minimum guaranteed fee for the development portion of \$1,650,000 in the first year and \$750,000 in each of the second and third years.

The fees pursuant to the Management Agreement discussed above, are in addition to leasing fees the Company receives from Alexander's under a leasing agreement in effect since 1992. The term of the leasing agreement has been extended to be co-terminus with the term of the Management Agreement.

On March 15, 1995, the Company and a bank lent Alexander's \$75,000,000 in a secured financing, of which \$45,000,000 was funded by the Company and the balance was funded by the bank. The Company's loan, which is subordinate to that of the bank, has a three year term and bears interest at 16.43% per annum for the first two years and at a fixed rate for the third year of 992 basis points over one year treasury bills. In addition, Alexander's paid a loan origination fee of \$1,500,000 to the Company.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)

On February 27, 1995, the Company entered into a three year unsecured revolving credit facility with a bank providing for borrowings of up to \$75,000,000. Borrowings bear annual interest, at the Company's election, at Libor plus 1.50% or the higher of the federal funds rate plus 1% or prime rate plus .50%. At March 15, 1995, the Company had borrowed \$60,000,000 under the agreement.

In May 1994, the Company's shelf registration statement relating to \$350,000,000 of securities became effective.

The Company anticipates that cash from continuing operations, working capital, borrowings under its revolving credit facility and/or proceeds from the issuance of securities under the Company's shelf registration statement will be adequate to fund its business operations, capital expenditures, continuing debt service obligations, the payment of dividends and the Alexander's transactions noted above.

ECONOMIC CONDITIONS

Substantially all of the Company's leases contain step-ups in rent. Such rental increases are not designed to, and in many instances do not, approximate the cost of inflation, but do have the effect of mitigating the adverse impact of inflation. In addition, substantially all of the Company's leases contain provisions that require the tenant to reimburse the Company for the tenant's share of common area charges (including roof and structure, unless it is the tenant's direct responsibility) and real estate taxes thus passing through to the tenants the effects of inflation on such expenses.

Inflation did not have a material effect on the Company's results for the periods presented.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH INDEPENDENT AUDITORS ON
ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

INDEPENDENT AUDITORS' REPORT

Shareholders and Board of Trustees
Vornado Realty Trust
Saddle Brook, New Jersey

We have audited the accompanying consolidated balance sheets of Vornado Realty Trust and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of income, shareholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1994. Our audits also included the financial statement schedules listed in Item 14. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules 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, such consolidated financial statements present fairly, in all material respects, the financial position of Vornado Realty Trust and subsidiaries at December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for marketable securities effective January 1, 1994 to conform to Statement of Financial Accounting Standards No. 115.

Deloitte & Touche LLP
Parsippany, New Jersey
March 9, 1995
(March 15, 1995 as to Note 17)

CONSOLIDATED BALANCE SHEETS

(amounts in thousands except share amounts)	DECEMBER 31, 1994	December 31, 1993
ASSETS:		
Real estate, at cost:		
Land	\$ 61,269	\$ 60,280
Buildings and improvements	298,277	274,696
Leasehold improvements and equipment	6,286	5,439
Total	365,832	340,415
Less accumulated depreciation and amortization	128,705	118,742
Real estate, net	237,127	221,673
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of \$15,275 and \$3,332	23,559	24,119
Marketable securities	87,206	99,130
Investment in and advances to Alexander's, Inc.	7,350	3,152
Due from officer	8,418	8,418
Accounts receivable, net of allowance for doubtful accounts of \$457 and \$402	4,898	4,199
Receivable arising from the straight-lining of rents	11,807	9,626
Other assets	13,173	15,513
	\$393,538	\$385,830

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(amounts in thousands except share amounts)	DECEMBER 31, 1994	December 31, 1993
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Notes and mortgages payable	\$234,160	\$235,037
Due for U.S. Treasury Obligations	34,275	22,847
Accounts payable and accrued expenses	4,275	8,195
Other liabilities	4,140	4,014
Total liabilities	276,850	270,093
Commitments and contingencies		
Shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized, 1,000,000 shares; issued, none		
Common shares of beneficial interest: \$.04 par value per share; authorized, 50,000,000 shares; issued, 21,654,285 and 21,603,266 shares	866	864
Additional capital	198,184	197,575
Accumulated deficit	(79,513)	(77,517)
	119,537	120,922
Unrealized gains on securities available for sale	2,336	--
Due from officers for purchase of common shares of beneficial interest	(5,185)	(5,185)
Total shareholders' equity	116,688	115,737
	\$393,538	\$385,830

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands except share amounts)	YEAR ENDED DECEMBER 31, 1994	Year Ended December 31, 1993	Year Ended December 31, 1992
Revenues:			
Property rentals	\$70,755	\$67,213	\$63,186
Expense reimbursements	21,784	19,839	17,898
Other income (including fee income from related parties of \$1,144, \$1,663 and \$367)	1,459	1,738	913
Total revenues	93,998	88,790	81,997
Expenses:			
Operating	30,223	27,994	27,587
Depreciation and amortization	9,963	9,392	9,309
General and administrative	6,495	5,890	4,612
Costs incurred in connection with the merger of Vornado, Inc. into Vornado Realty Trust	--	856	--
Cost incurred upon exercise of a stock option by an officer and subsequent repurchase of a portion of the shares	--	--	15,650
Total expenses	46,681	44,132	57,158
Operating income	47,317	44,658	24,839
Interest and dividend income	7,489	11,620	8,555
Interest and debt expense	(14,209)	(31,155)	(33,910)
Net gain on marketable securities	643	263	2,779
Income from continuing operations before income taxes and extraordinary item	41,240	25,386	2,263
Provision (benefit) for income taxes	--	(6,369)	1,080
Income from continuing operations before extraordinary item	41,240	31,755	1,183
Loss from discontinued operation	--	(600)	--
Income before extraordinary item	41,240	31,155	1,183
Extraordinary item - loss on early extinguishment of debt	--	(3,202)	--
NET INCOME	\$41,240	\$27,953	\$ 1,183
NET INCOME (LOSS) PER SHARE based on 21,853,720, 19,790,448, and 16,559,329 shares outstanding:			
Continuing operations	\$1.89	\$1.60	\$.07
Discontinued operation	--	(.03)	--
Extraordinary item	--	(.16)	--
NET INCOME	\$1.89	\$1.41	\$.07

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

(amounts in thousands except share amounts)	Common Shares	Additional Capital	Retained Earnings (Deficit)	Unrealized Gains on Securities Available for Sale	Due from Officers	Treasury Stock (Deficit)	Total Share- holders' Equity
BALANCE, December 31, 1991	\$ 608	\$ 66,175	\$ 124,303	\$ --	\$ --	\$(182,961)	\$ 8,125
Net income	--	--	1,183	--	--	--	1,183
Dividends paid	--	--	(17,541)	--	--	--	(17,541)
Acquisition of 3,300 shares of common stock *	--	--	--	--	--	(89)	(89)
Common stock issued under employees' stock plans	20	4,805	--	--	--	--	4,825
Due from officer for purchase of common shares	--	--	--	--	(4,705)	--	(4,705)
Stock option tax benefit	--	4,960	--	--	--	--	4,960
Three-for-two stock split	214	(214)	--	--	--	--	--
BALANCE, December 31, 1992	842	75,726	107,945	--	(4,705)	(183,050)	(3,242)
Net income	--	--	27,953	--	--	--	27,953
Net proceeds from issuance of common shares	208	171,843	--	--	--	--	172,051
Distribution of accumulated earnings and profits	--	--	(54,022)	--	--	--	(54,022)
Dividends paid	--	--	(30,460)	--	--	--	(30,460)
Retirement of common stock held in treasury	(200)	(53,917)	(128,933)	--	--	183,050	--
Common shares issued under employees' share plans	14	3,923	--	--	--	--	3,937
Due from officers for purchase of common shares	--	--	--	--	(480)	--	(480)
BALANCE, December 31, 1993	864	197,575	(77,517)	--	(5,185)	--	115,737
Unrealized gains on securities available for sale at January 1, 1994	--	--	--	8,565	--	--	8,565
Net income	--	--	41,240	--	--	--	41,240
Dividends paid	--	--	(43,236)	--	--	--	(43,236)
Common shares issued under employees' share plans	2	609	--	--	--	--	611
Change in unrealized gains (losses) on securities available for sale	--	--	--	(6,229)	--	--	(6,229)
BALANCE, DECEMBER 31, 1994	\$ 866	\$198,184	\$(79,513)	\$ 2,336**	\$(5,185)	\$ --	\$116,688

* Not adjusted for applicable stock splits.

** Includes \$3,435 in unrealized gains attributable to the Company's investment in the common stock of Alexander's, Inc. (see Note 13-C).

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)	YEAR ENDED DECEMBER 31, 1994	Year Ended December 31, 1993	Year Ended December 31, 1992
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income from continuing operations before extraordinary item	\$ 41,240	\$ 31,755	\$ 1,183
Adjustments to reconcile income to net cash provided by continuing operations:			
Depreciation and amortization (including debt issuance costs)	10,839	11,435	11,470
Straight-lining of rental income	(2,181)	(2,200)	(2,200)
Deferred income taxes	--	(6,369)	800
Net gain on marketable securities	(643)	(263)	(2,779)
Extraordinary item - loss on early extinguishment of debt	--	(3,202)	--
Changes in assets and liabilities:			
Trading securities	1,485	279	1,732
Accounts receivable	(699)	(156)	(1,856)
Due to officer	--	(12,753)	12,753
Accounts payable and accrued expenses	(3,920)	2,611	314
Other	827	7,188	(6,086)
Net cash provided by operating activities of continuing operations	46,948	28,325	15,331
Net cash (used in) provided by operating activities of discontinued operation	--	(600)	2,276
Net cash provided by operating activities	46,948	27,725	17,607
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to real estate	(25,417)	(26,986)	(11,215)
Purchases of securities available for sale	--	(22,918)	(8,025)
Proceeds from sale of securities available for sale	9,983	51,254	34,040
Net cash (used in) provided by investing activities	(15,434)	1,350	14,800
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuance of common shares	--	172,051	--
Distribution of accumulated earnings and profits	--	(54,022)	--
Due for U.S. Treasury Obligations	11,428	(30,048)	28,719
Proceeds from borrowings	--	227,000	4,000
Payments on borrowings	(877)	(333,664)	(7,907)
Costs of refinancing debt	--	(5,247)	--
Dividends paid	(43,236)	(30,460)	(17,541)
Exercise of share options	611	3,937	4,825
Net loans to officers	--	(5,980)	(7,623)
Acquisition of common stock held in treasury	--	--	(89)
Net cash (used in) provided by financing activities	(32,074)	(56,433)	4,384
Net (decrease) increase in cash and cash equivalents	(560)	(27,358)	36,791
Cash and cash equivalents at beginning of year	24,119	51,477	14,686
Cash and cash equivalents at end of year	\$ 23,559	\$ 24,119	\$ 51,477
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash payments for income taxes	\$ --	\$ --	\$ 4,993
Cash payments for interest	\$ 14,915	\$ 29,382	\$ 31,749

Non-cash transactions:

During 1994, a credit to shareholders' equity of \$2,336 was recorded to reflect an unrealized gain on securities available for sale.

In May 1993, 5,007,024 shares of common stock held in treasury were retired. The retirement of the shares was recorded by reducing the common stock account (\$200), additional capital (\$53,917) and retained earnings (\$128,933).

In December 1992, a tax benefit of \$4,960 resulting from the exercise of a stock option was reflected as an increase to additional capital.

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

ORGANIZATION: On May 6, 1993, Vornado, Inc. merged into Vornado Realty Trust, a Maryland real estate investment trust. Vornado Realty Trust was formed on March 29, 1993, as a wholly-owned subsidiary of Vornado, Inc., specifically for the purpose of the merger.

On May 21, 1993, the Company completed the sale of 5,211,700 common shares of beneficial interest (including 211,700 shares which closed on June 4, 1993 pursuant to an election of the underwriters to exercise, in part, their over-allotment option) in a public offering at \$35 1/2, which net of expenses yielded \$172,051,000 to the Company.

On June 3, 1993, in connection with its conversion to a real estate investment trust, the Company distributed to its shareholders a special dividend of \$54,022,000 of accumulated earnings and profits as determined for Federal income tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION: The accompanying consolidated financial statements include the accounts of Vornado Realty Trust and its subsidiaries, all of which are wholly-owned. All significant intercompany balances and transactions have been eliminated.

Effective December 31, 1994, to be consistent with the prevalent real estate industry practice, the Company changed the presentation of its consolidated statements of income to show tenant reimbursements of expenses, previously offset against operating expenses, as part of revenues and to reflect other income (including fee income from related parties) previously offset against operating and general and administrative expenses, as part of revenues. Prior period's amounts have been reclassified to conform with the current year's presentation.

The financial statements for the applicable periods present the Steinwurtzel fleece apparel wholesaling business as a discontinued operation.

REAL ESTATE: Real estate is carried at the lower of cost or net realizable value. Betterments, major renewals and certain costs directly related to the acquisition, improvement and leasing of real estate are capitalized. Maintenance and repairs are charged to operations as incurred. Depreciation is provided on a straight-line basis over the assets estimated useful lives. Additions to real estate include interest expense capitalized during construction of \$1,582,000 and \$282,000 for the years ended December 31, 1994 and 1993.

CASH AND CASH EQUIVALENTS: Cash and cash equivalents consist of highly liquid investments purchased with original maturities of three months or less.

MARKETABLE SECURITIES: On January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115 - Accounting for Certain Investments in Debt and Equity Securities (SFAS No. 115) under which securities are carried at market. The Company has classified debt and equity securities which it intends to hold for an indefinite period of time as securities available for sale and equity securities it intends to buy and sell on a short term basis as trading securities. Unrealized gains and losses are included in earnings for trading securities and as a component of shareholder's equity for securities available for sale. Realized gains or losses on the sale of securities are recorded based on average cost.

REVENUE RECOGNITION: Base rents, additional rents based on tenants' sales volume and reimbursement of the tenants' share of certain operating expenses are generally recognized when due from tenants. The straight-line basis is used to recognize base rents under leases entered into after November 14, 1985 which provide for varying rents over the lease terms.

INCOME TAXES: The Company operates in a manner intended to enable it to continue to qualify as a real estate investment trust ("REIT") under Sections 856-860 of the Internal Revenue Code of 1986 as amended (the "Code"). Under those sections, a REIT which distributes at least 95% of its REIT taxable income to its

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. The Company has distributed to shareholders an amount greater than its taxable income. Therefore, no provision for Federal income taxes is required. As a result of the Company's conversion to a REIT in 1993, the deferred tax balance at December 31, 1992 was reversed in 1993.

AMOUNTS PER SHARE: Amounts per share are computed based upon the weighted average number of shares outstanding during the year and the dilutive effect of stock options.

3. MARKETABLE SECURITIES

The aggregate cost and market value of securities held at December 31, 1994 and 1993 were as follows:

	December 31, 1994		December 31, 1993	
	Cost	Market	Cost	Market
Securities available for sale:				
U.S. treasury obligations	\$66,327,000	\$66,285,000	\$66,401,000	\$ 70,284,000
Other equity and debt securities	19,215,000	18,158,000	29,072,000	29,428,000
	85,542,000	84,443,000	95,473,000	99,712,000
Trading securities - equity	2,755,000	2,763,000	3,657,000	3,784,000
Total	\$88,297,000	\$87,206,000	\$99,130,000	\$103,496,000

Gross unrealized gains and losses at December 31, 1994 and 1993 were as follows:

	December 31, 1994		December 31, 1993	
	Gains	(Losses)	Gains	(Losses)
Securities available for sale:				
U.S. treasury obligations	\$149,000	\$ (191,000)	\$3,883,000	\$ --
Other equity and debt securities	--	(1,057,000)	482,000	(126,000)
	149,000	(1,248,000)	4,365,000	(126,000)
Trading securities - equity	8,000	--	127,000	--
Total	\$157,000	\$(1,248,000)	\$4,492,000	\$(126,000)

Of the U.S. treasury obligations at December 31, 1994, \$10,020,000 (market value \$10,106,000) matures within one year and \$56,307,000 (market value \$56,179,000) matures within three years.

U.S. treasury obligations with a fair market value of \$35,205,000 and \$26,656,000 were held as collateral for amounts due for U.S. treasury obligations at December 31, 1994 and 1993. Amounts due for U.S. treasury obligations bear variable interest rates which averaged 4.36% and 3.19% for the years ended December 31, 1994 and 1993.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of cash and cash equivalents, due from officer, accounts receivable, accounts payable, and accrued expenses are reflected in the balance sheet. The fair value of marketable securities and the investment in Alexander's, Inc. are based on quoted market prices. At December 31, 1994 and 1993, the fair value of marketable securities was \$87,206,000 and \$103,496,000 compared to carrying value of \$87,206,000 and \$99,130,000 at their respective dates. The fair value of the investment in Alexander's was \$5,980,000 and \$6,871,000 compared to carrying values of \$5,980,000 and \$2,545,000 at December 31, 1994 and 1993, respectively. The fair value of notes and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

mortgages payable has been estimated by comparing the current rate at which similar loans would be made to borrowers with similar credit ratings for the remaining term, versus the stated interest rates in the loans. At December 31, 1994 and 1993, the fair value of notes and mortgages payable were estimated to be \$205,496,000 and \$233,462,000, respectively. The fair value estimates presented herein are based on pertinent information available to management as of December 31, 1994 and 1993. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

5. INCOME TAXES

The provision for income taxes for the year ended December 31, 1992 was \$1,080,000 of which \$239,000 was the current federal provision and \$841,000 was the deferred provision. The effective tax rate for the year ended December 31, 1992 was 47.7% of which 34.0% represents the statutory tax rate and 13.7% resulted from costs incurred upon exercise of a stock option by an officer not deductible for income tax purposes.

6. NOTES AND MORTGAGES PAYABLE

In November 1993, a private placement of \$227,000,000 aggregate principal amount of secured notes due December 1, 2000 was completed by Vornado Finance Corp., a wholly-owned, special-purpose subsidiary of the Company. The 7-year notes bear a fixed rate of interest of 6.36% per annum. The net proceeds from the offering, together with working capital of Vornado Realty Trust, were used to prepay \$327,132,000 of debt including \$313,539,000 under a blanket mortgage loan which bore interest at a rate of 9.36% per annum and was scheduled to mature in January 1994. As a result of the early extinguishment of debt, a fourth quarter extraordinary charge of \$3,202,000, which primarily represented prepayment penalties, was recorded in 1993.

Notes and mortgages are summarized by range of interest rates as follows:

Interest rate	Principal amount
5.35%	\$ 4,115,000
6.36%	227,000,000
8.00%	1,544,000
8.25%	1,501,000

The net book value of property securing the notes and mortgages amounted to \$172,622,000 at December 31, 1994. In addition, \$7,000,000 (face amount) of U.S. Treasury Obligations have been escrowed as additional collateral for the \$227,000,000 of notes and will be released upon completion of a shopping center expansion. As at December 31, 1994, the maturities for the next five years are as follows:

Year ending December 31:	Amount
1995	\$ 908,000
1996	975,000
1997	1,046,000
1998	870,000
1999	535,000

7. EMPLOYEES' SHARE OPTION PLAN

Various officers and key employees have been granted incentive share options and/or nonqualified options to purchase common shares. Options granted are at prices equal to 100% of the market price of the Company's shares at date of grant, become exercisable up to 27 months after grant, and expire ten years after the date of grant.

The changes in number of shares under option for the three years ended December 31, 1994 were as follows:

	Number of shares	Option price
Outstanding, December 31, 1991	2,013,675	\$6.30-\$16.60
Granted	93,750	\$19.83
Exercised	(1,510,132)	\$6.30-\$ 9.87
Outstanding, December 31, 1992	597,293	\$9.87-\$19.83
Outstanding, December 31, 1992, adjusted *	672,812	\$8.72-\$19.83
Granted *	281,379	\$22.84-\$37.94
Exercised *	(334,923)	\$8.72-\$22.84
Outstanding, December 31, 1993	619,268	\$8.72-\$37.94
Granted	--	--
Exercised	(51,019)	\$8.72-\$22.84
Cancelled	(10,681)	\$22.84-\$34.25
OUTSTANDING, DECEMBER 31, 1994	557,568	\$8.72-\$37.94

* Option prices and number of shares have been adjusted, as applicable, to reflect the impact of a \$3.36 special dividend paid in June 1993, in accordance with the terms of the Plan.

Shares available for future grant at December 31, 1994 were 1,327,816.

	DECEMBER 31, 1994	December 31, 1993
Options exercisable	420,200	346,167
Price range	\$8.72-\$34.25	\$8.72-\$22.84

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. RETIREMENT PLAN

The Company's qualified retirement plan covers all full-time employees. The Plan provides annual pension benefits that are equal to 1% of the employee's annual compensation for each year of participation.

The funding policy is in accordance with the minimum funding requirements of ERISA.

Pension expense includes the following components:

	YEAR ENDED DECEMBER 31, 1994	Year Ended December 31, 1993	Year Ended December 31, 1992
Service cost -- benefits earned during the period	\$ 81,000	\$ 89,000	\$ 88,000
Interest cost on projected benefit obligation	558,000	577,000	566,000
Actual return on assets	130,000	(656,000)	(122,000)
Net amortization and deferral	(359,000)	436,000	(109,000)
Net pension expense	\$410,000	\$446,000	\$ 423,000

Assumptions used in determining the net pension expense were:

Discount rate	8-1/2%	7-1/2%	8%
Rate of increase in compensation levels	6-1/2%	6-1/2%	6-1/2%
Expected rate of return on assets	8%	8%	8%

The following table sets forth the Plan's funded status and the amount recognized in the Company's balance sheet:

	DECEMBER 31, 1994	December 31, 1993
Actuarial present value of benefit obligations:		
Vested benefit obligation	\$6,665,000	\$7,575,000
Accumulated benefit obligation	\$6,742,000	\$7,604,000
Projected benefit obligation	\$6,992,000	\$7,959,000
Plan assets at fair value	3,219,000	3,742,000
Projected benefit obligation in excess of plan assets	3,773,000	4,217,000
Unrecognized net obligations	(1,173,000)	(1,285,000)
Adjustment required to recognize minimum liability	923,000	930,000
Accrued pension costs	\$3,523,000	\$3,862,000

Plan assets are invested in U.S. government obligations and securities backed by U.S. government guaranteed mortgages.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. LEASES

As lessor:

The Company leases properties to tenants. The lease terms range from less than five years for smaller tenant spaces to as much as thirty years for major tenants. Most of the leases provide for the payment of fixed base rentals payable monthly in advance, and for the payment by the lessee of additional rents based on a percentage of the tenants' sales as well as reimbursements of real estate taxes, insurance and maintenance. As of December 31, 1994, future base rental revenue under noncancellable operating leases, excluding rents for leases with an original term of less than one year and rents resulting from the exercise of renewal options, is as follows:

Year ending December 31:	Amount
1995	\$ 71,669,000
1996	72,959,000
1997	71,966,000
1998	69,865,000
1999	65,523,000
Thereafter	542,589,000

These amounts do not include rentals based on tenants' sales. These percentage rents approximated \$887,000, \$954,000 and \$685,000 for the years ended December 31, 1994, 1993 and 1992.

As lessee:

The Company is a tenant under leases for certain properties. These leases will expire principally during the next twenty years. Future minimum lease payments under operating leases at December 31, 1994, are as follows:

Year ending December 31:	Amount
1995	\$ 1,473,000
1996	1,475,000
1997	1,119,000
1998	941,000
1999	864,000
Thereafter	27,427,000

Rent expense was \$1,313,000, \$1,366,000 and \$1,446,000 for the years ended December 31, 1994, 1993 and 1992.

10. CONTINGENCIES

In order to comply with environmental laws and with relevant health-based standards, the Company has an active monitoring and maintenance program for asbestos-containing materials ("ACMs") on its properties. While the Company believes that its program to remove friable ACMs has been substantially completed, one location still requires further work. The Company has received an estimate of \$500,000 to remove ACMs, which, pursuant to the lease is the lessee's responsibility. The Company does not believe that this expenditure will have a material adverse effect on the Company's financial condition or results of operations.

The Company also has certain other existing and potential environmental liabilities with respect to compliance costs relating to underground storage tanks and cleanup costs relating to tanks and to three Company sites at which preexisting contamination was found.

The Company believes that known and potential environmental liabilities will not have a material adverse effect on the Company's business, assets or results of operation. However, there can be no assurance that the identification of new areas of contamination, change in the known scope of contamination, the discovery of additional sites, or changes in cleanup requirements would not result in significant costs to the Company.

At December 31, 1994, the Company had outstanding \$1,400,000 of real estate related standby letters of credit which were drawn under a \$5,000,000 unsecured line of credit with a bank bearing interest at prime.

From time-to-time, the Company has disposed of substantial amounts of real estate to third parties for which, as to certain properties, it remains contingently liable for rent payments or mortgage indebtedness.

There are various legal actions against the Company in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the outcome of such matters will not have a material effect on the Company's financial condition or results of operations.

11. BUSINESS SEGMENTS

The Company operates in one business segment -- real estate. Bradlees, Inc. accounted for 19% of property rentals for the year ended December 31, 1994 and 18% for the years ended December 31, 1993 and 1992. The Company does not engage in any foreign operations.

12. REPURCHASE AGREEMENTS

The Company enters into agreements for the purchase and resale of U.S. government obligations for periods of up to one week. The obligations purchased under these agreements are held in safekeeping in the name of the Company by various money center banks. The Company has the right to demand additional collateral or return of these invested funds at any time the collateral value is less than 102% of the invested funds plus any accrued earnings thereon.

13. RELATED PARTY TRANSACTIONS

Steven Roth, Chairman of the Board and Chief Executive Officer of the Company, is a general partner of Interstate Properties, a 31.0% shareholder of the Company at December 31, 1994.

A) On December 29, 1992, Mr. Roth exercised a stock option granted to him on October 4, 1985, for 1,500,000 shares of the Company's stock, in order to entitle the Company to a \$10.8 million cash reduction in income taxes, the value of which would have been substantially, if not totally, eliminated if the option were exercised once the Company became a REIT. In connection with the exercise, the Company lent Mr. Roth \$15,245,000 in 1992 (\$9,410,000 of the exercise price of \$9,450,000 and \$5,835,000 for withholding taxes which were immediately payable by him and \$7,000,000 in 1993 for additional taxes payable. In addition, the Company granted him registration rights with respect to such shares. The loan bears interest, payable quarterly, at a rate equal to the broker call rate (7.25% at December 31, 1994) but not less than the minimum applicable federal rate provided under the Internal Revenue Code and is due on December 29, 1997.

On February 4, 1993, the Company repurchased 750,000 shares of this stock from Mr. Roth at \$27.17 per share, the closing price on February 3, 1993. As of December 31, 1992, the Company recorded an expense of \$15,650,000, representing the difference between the repurchase price and the option price. In connection with the repurchase, Mr. Roth repaid \$9,122,500 of the loan including \$1,500,000 of the amount he borrowed in 1993.

At December 31, 1994, the loan due from Mr. Roth was \$13,122,500 (\$4,705,000 of which is shown as a reduction in shareholders' equity).

B) In 1993, the Company lent Messrs. Rowan and Macnow, Vice Presidents, \$253,000 and \$227,000, respectively, representing amounts owed by such persons in connection with their option exercises. The loans (which are reflected as a reduction in shareholders' equity) accrue interest at a rate equal to the broker call rate (7.25% at December 31, 1994) but not less than the minimum applicable federal rate provided under the Internal Revenue Code and are due December 31, 1995.

C) At December 31, 1994 and 1993, the Company owned 113,100 shares of Alexander's, Inc. common stock. The investment is recorded at market value of \$5,980,000 at December 31, 1994 and at cost of \$2,545,000 at December 31, 1993. The market value was \$6,871,000 at December 31, 1993. Additionally, advances and deferred charges in connection with the property development of Alexander's were \$1,370,000 and \$607,000 at December 31, 1994 and 1993. These amounts above are shown on the accompanying balance sheet as Investment in and advances to Alexander's, Inc. On March 2, 1995, the Company acquired an additional 1,353,468 shares, or 27.1% of the common stock of Alexander's from Citibank, N.A. As a result of the increase in its investment, the Company will change its accounting for its investment in Alexander's to the equity method which will result in a reduction of its investment to cost by reducing the unrealized gain recorded in shareholders' equity at December 31, 1994 by \$3,435,000. Interstate owns 1,354,568 shares, or 27.1%, of the common stock of Alexander's and Mr. Roth is a Director and Chief Executive Officer of Alexander's. Interstate, Mr. Roth and the Company have filed as a "group" with the Securities and Exchange Commission in connection with their respective holdings in Alexander's (see Note 17).

13. RELATED PARTY TRANSACTIONS - (continued)

D) In July 1992, the Company was retained by Alexander's, Inc. to act as a special real estate consultant with respect to the leasing or sale of certain assets in connection with Alexander's reorganization proceedings under Chapter 11 of the Bankruptcy Code.

The terms of the leasing agreement provided the Company with exclusive rights to sell and/or lease the assets of Alexander's through September 21, 1994 and thereafter, shall automatically renew on a year-to-year basis, and is terminable by either party at the end of each year on not less than 60 days prior notice (agreement extended through 1997 - see Note 17). The agreement provides for the Company to generally receive a fee of (i) 3% of sales proceeds and (ii) 3% of lease rent for the first ten years of a lease term, 2% of lease rent for the eleventh through the twentieth years of a lease term and 1% of lease rent for the twenty-first through thirtieth year of the lease term.

Subject to the payment of rents by underlying tenants pursuant to leases and to the prior satisfaction of all payments to which certain creditors of Alexander's are entitled under a plan of reorganization (approved by the Bankruptcy Court in September 1993), the Company is due approximately \$12.4 million for transactions completed to date. Of this amount, the Company was due to receive \$500,000 on July 1, 1994 but has not received such payment. The balance of \$11.9 million will be payable over a seven year period in an amount not to exceed \$2,500,000 in any calendar year until the present value of such installments (calculated at a discount rate of 9% per annum) equals the amount that would have been paid had it been paid on September 21, 1993 or at the time the transactions which gave rise to the commissions occurred, if later.

The Company will recognize net fee income on leasing (\$11.0 million) over the life of the leases as rentals are paid and interest income (\$.6 million) when installments are received.

E) See Note 17 for a discussion of the terms of the Management and Development Agreement entered into with Alexander's in March 1995.

F) The Company currently manages and leases the six shopping centers of Interstate Properties pursuant to a Management Agreement for which the Company receives a quarterly fee equal to 4% of base rent and percentage rent and certain other commissions. The Management Agreement has a term of one year and is automatically renewable unless terminated by either of the parties on sixty days' notice at the end of the term. Although the Management Agreement was not negotiated at arms length, the Company believes based upon comparable fees charged by other real estate companies, that its terms are fair to the Company. For the years ended December 31, 1994 and 1993 and the period from July 13, 1992 through December 31, 1992, \$894,000, \$913,000 and \$367,000 of management fees were earned by the Company pursuant to the Management Agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

(amounts in thousands except per share amounts)	Year Ended December 31, 1994				Year Ended December 31, 1993			
	Quarter ended				Quarter ended			
	Dec. 31,	Sept. 30,	Jun. 30,	Mar. 31,	Dec. 31,	Sept. 30,	Jun. 30,	Mar. 31,
Revenues	\$24,155	\$22,856	\$23,960	\$23,027	\$22,657	\$22,028	\$22,149	\$21,956
Income from continuing operations before income taxes and extraordinary item	10,492	10,530	10,114	10,104	8,134	7,128	4,730(1)	5,394
Provision (benefit) for income taxes	--	--	--	--	--	--	(8,523)	2,154
INCOME FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY ITEM	10,492	10,530	10,114	10,104	8,134	7,128	13,253	3,240
(Loss) from discontinued operation before income taxes	--	--	--	--	--	--	--	(600)
Income tax (benefit)	--	--	--	--	--	--	240	(240)
Income (loss) from discontinued operation	--	--	--	--	--	--	240	(360)
Income before extraordinary item	10,492	10,530	10,114	10,104	8,134	7,128	13,013	2,880
Extraordinary item -- (loss) on early extinguishment of debt	--	--	--	--	(3,202)	--	--	--
Net income	\$10,492	\$10,530	\$10,114	\$10,104	\$4,932	\$7,128	\$13,013	\$2,880
Net income (loss) per share(2):								
Continuing operations	\$.48	\$.48	\$.46	\$.46	\$.37	\$.33	\$.69	\$.20
Discontinued operation	--	--	--	--	--	--	(.01)	(.02)
Extraordinary item	--	--	--	--	(.16)	--	--	--
	\$.48	\$.48	\$.46	\$.46	\$.21	\$.33	\$.68	\$.18

1) The decrease in income in the quarter ended June 30, 1993 is due primarily to the Company recording an expense of \$856,000 in connection with the merger of Vornado, Inc. into Vornado Realty Trust.

2) The totals for the years ended December 31, 1994 and 1993 differ from the sum of the quarters as a result of the weighting of the average number of shares outstanding and the dilutive effect of stock options.

Amounts included in revenues and expenses have been reclassified to conform with the current year's presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. STOCK SPLIT

On March 8, 1993, the Board of Trustees approved a three-for-two stock split by declaring a dividend of one share of common stock for each two shares issued and outstanding as of the close of business on March 18, 1993. This distribution resulted in a transfer of \$214,000 to the common stock account from additional capital. The additional shares and cash payments in lieu of fractional shares were issued March 25, 1993.

16. DIVIDEND DISTRIBUTIONS

Dividends are characterized for Federal income tax purposes as follows:

	1994	1993*	1992
Ordinary income	96.0%	83.7%	100.0%
Return of capital (generally non-taxable)	4.0	16.3	--
Total	100.0%	100.0%	100.0%

* For shareholders who received all dividends distributed during 1993.

17. SUBSEQUENT EVENTS

On March 2, 1995, following bankruptcy court approval of the loan and management arrangements described below, the Company purchased all of the 1,353,468 shares of common stock of Alexander's, Inc. ("Alexander's") owned by Citibank, N.A. ("Citibank") for \$40.50 per share in cash (the "Acquisition"), representing 27.1% of the outstanding common stock of Alexander's. After the Acquisition, the Company owns 29.3% of the outstanding shares of common stock of Alexander's. Interstate Properties, which owns 31% of the common shares of beneficial interest of the Company, currently owns 27.1% of the outstanding shares of Alexander's common stock.

The Company and Alexander's have entered into a three year management and development agreement (the "Management Agreement") under which the Company has agreed to manage all Alexander's business affairs and manage and develop Alexander's properties for an annual fee of \$3,000,000; plus 6% of development costs with a minimum guaranteed fee for the development portion of \$1,650,000 in the first year and \$750,000 in each of the second and third years. Pursuant to the Management Agreement, Mr. Roth, the Company's Chairman and Chief Executive Officer, also became Chief Executive Officer of Alexander's.

The fees pursuant to the Management Agreement discussed above, are in addition to leasing fees the Company receives from Alexander's under a leasing agreement in effect since 1992. The term of the leasing agreement has been extended to be co-terminus with the term of the Management Agreement.

On March 15, 1995, the Company and a bank lent Alexander's \$75,000,000 in a secured financing, of which \$45,000,000 was funded by the Company and the balance was funded by the bank. The Company's loan, which is subordinate to that of the bank has a three year term and bears interest at 16.43% per annum for the first two years and at a fixed rate for the third year of 992 basis points over one year treasury bills. In addition, Alexander's paid a loan origination fee of \$1,500,000 to the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. SUBSEQUENT EVENTS (continued)

In connection with the Acquisition, the Company and Interstate are restricted for three years from owning in excess of two-thirds of Alexander's common stock or entering into certain other transactions with Alexander's, without the consent of the independent directors of Alexander's.

On February 27, 1995, the Company entered into a three year unsecured revolving credit facility with a bank providing for borrowings of up to \$75,000,000. Borrowings bear annual interest, at the Company's election, at Libor plus 1.50% or the higher of the federal funds rate plus 1% or prime rate plus .50%.

The facility contains customary loan covenants including, among others, limits on total outstanding indebtedness; maximum loan to value ratios; minimum debt service coverage, funds from operations, and equity requirements and a negative pledge with respect to certain unencumbered assets. At March 15, 1995, the Company had borrowed \$60,000,000 under the agreement.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information relating to trustees of the Registrant will be contained in a definitive Proxy Statement involving the election of trustees which the Registrant will file with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 not later than 120 days after December 31, 1994, and such information is incorporated herein by reference. Information relating to Executive Officers of the Registrant appears at page 10 of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

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

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

Independent Auditors' Report

	Pages in this Annual Report on Form 10-K -----
II - Valuation and Qualifying Accounts - years ended December 31, 1994, 1993 and 1992	39
III - Real Estate and Accumulated Depreciation as of December 31, 1994	40

Schedules other than those listed above are omitted because they are not applicable or the information required is included in the consolidated financial statements or the notes thereto.

3. Exhibits. See the Exhibit Index at page 44 of this Annual Report on Form 10-K. The following exhibits listed on the Exhibit Index are filed with this Annual Report on Form 10-K.

Exhibit No.

10 (f) 2	Amendment to Real Estate Retention Agreement dated February 6, 1995.
10 (f) 7	Credit Agreement, dated as of March 15, 1995, among Alexander's, Inc., as borrower, and Vornado Lending Corp., as lender.
10 (f) 8	Subordination and Intercreditor Agreement, dated as of March 15, 1995 among Vornado Lending Corp., Vornado Realty Trust and First Fidelity Bank, National Association.
10 (f) 9	Revolving Credit Agreement dated as of February 27, 1995 among Vornado Realty Trust, as borrower, and Union Bank of Switzerland, as Bank and Administrative Agent.
11	Statement Re Computation of Per Share Earnings.
21	Subsidiaries of the Registrant.
23	Consent of Independent Auditors to Incorporation by Reference.
27	Financial Data Schedule.
(b)	Reports on Form 8-K
	None

SIGNATURES

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

VORNADO REALTY TRUST

By: /s/JOSEPH MACNOW

Joseph Macnow, Vice President-
Chief Financial Officer

Date: March 15, 1995

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

Signature	Title	Date
-----	-----	----
By: /s/STEVEN ROTH ----- (Steven Roth)	Chairman of the Board of Trustees (Principal Executive Officer)	March 15, 1995
By: /s/JOSEPH MACNOW ----- (Joseph Macnow)	Vice President-Chief Financial Officer and Controller (Principal Financial and Accounting Officer)	March 15, 1995
By: /s/DAVID MANDELBAUM ----- (David Mandelbaum)	Trustee	March 15, 1995
By: /s/STANLEY SIMON ----- (Stanley Simon)	Trustee	March 15, 1995
By: /s/RONALD G. TARGAN ----- (Ronald G. Targan)	Trustee	March 15, 1995
By: /s/RUSSELL B. WIGHT, JR. ----- (Russell B. Wight, Jr.)	Trustee	March 15, 1995
By: /s/RICHARD R. WEST ----- (Richard R. West)	Trustee	March 15, 1995

VORNADO REALTY TRUST
AND SUBSIDIARIES
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

Column A (amounts in thousands)	Column B	Column C	Column D		Column E
Description	Balance at beginning of year	Additions charged against operations	Deductions Description	Amount	Balance at end of year
YEAR ENDED DECEMBER 31, 1994: Deducted from accounts receivable, allowance for doubtful accounts	\$ 402	\$ 385	Uncollectible accounts written-off	\$ 330	\$ 457
YEAR ENDED DECEMBER 31, 1993: Deducted from accounts receivable allowance for doubtful accounts	\$ 337	\$ 432	Uncollectible accounts written-off	\$ 367	\$ 402
YEAR ENDED DECEMBER 31, 1992: Deducted from accounts receivable, allowance for doubtful accounts	\$ 517	\$ 627	Uncollectible accounts written-off	\$ 807	\$ 337

VORNADO REALTY TRUST
AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1994
(amounts in thousands)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	
Description	Encumbrances	Initial cost to company (1)		Costs capitalized subsequent to acquisition	
Description	Encumbrances	Land	Buildings and improvements	Costs capitalized subsequent to acquisition	
Shopping Centers					
New Jersey					
Atlantic City	\$ 2,135 *	\$ 358	\$ 2,143	\$ 574	
Bordentown	3,276 *	498	3,176	1,029	
Bricktown	9,919 *	929	2,175	9,182	
Cherry Hill	9,706 *	915	3,926	3,269	
Delran	2,848 *	756	3,184	1,915	
Dover	3,635 *	224	2,330	2,091	
East Brunswick	8,205 *	172	3,236	3,176	
East Hanover	11,066 *	376	3,063	3,264	
Hackensack	-	536	3,293	6,071	
Jersey City	10,381 *	652	2,962	1,774	
Kearny (4)	-	279	4,429	(1,388)	
Lawnside	5,708 *	851	2,222	1,219	
Lodi	2,420 *	245	2,315	928	
Manalapan	6,397 *	725	2,447	4,983	
Marlton	5,398 *	1,514	4,671	896	
Middletown	7,761 *	283	1,508	4,071	
Morris Plains	6,600 *	1,254	3,140	3,431	
North Bergen (4)	-	510	3,390	(956)	
North Plainfield	4,115	500	13,340	344	
Totowa	15,646 *	1,097	5,359	7,190	
Turnersville	2,116 *	900	2,132	75	
Union	15,975 *	1,014	4,527	1,902	
Vineland	2,358 *	290	1,594	1,121	
Watchung (4)	-	451	2,347	5,502	
Woodbridge	8,792 *	190	3,047	560	
Total New Jersey	144,457	15,519	85,956	62,223	
New York					
14th Street and Union Square, Manhattan	-	12,566	4,044	3,457	
Albany (Menands)	-	460	1,677	1,572	
Buffalo (Amherst)	4,863 *	402	2,019	1,745	
Freeport	8,021 *	1,231	3,273	3,168	
New Hyde Park	2,043 *	-	-	122	
North Syracuse	-	-	-	23	
Rochester (Henrietta)	2,203 *	-	2,124	1,193	
Rochester	2,832 *	443	2,870	689	
Total New York	19,962	15,102	16,007	11,969	
COLUMN A	COLUMN E			COLUMN F	COLUMN G
Description	Gross amount at which carried at close of period			Accumulated depreciation and amortization	Date of construction (3)
Description	Land	Buildings and improvements	Total (2)	Accumulated depreciation and amortization	Date of construction (3)
Shopping Centers					
New Jersey					
Atlantic City	\$ 358	\$ 2,717	\$ 3,075	\$ 1,668	1965
Bordentown	713	3,990	4,703	3,175	1958
Bricktown	929	11,357	12,286	3,235	1968
Cherry Hill	915	7,195	8,110	3,984	1964
Delran	756	5,099	5,855	2,261	1972
Dover	205	4,440	4,645	2,267	1964
East Brunswick	172	6,412	6,584	3,994	1957
East Hanover	477	6,226	6,703	3,374	1962
Hackensack	536	9,364	9,900	3,106	1963
Jersey City	652	4,736	5,388	2,964	1965
Kearny (4)	290	3,030	3,320	736	1938
Lawnside	851	3,441	4,292	1,675	1969
Lodi	245	3,243	3,488	1,874	1955

Manalapan	725	7,430	8,155	2,634	1971
Marlton	1,611	5,470	7,081	3,348	1973
Middletown	283	5,579	5,862	2,038	1963
Morris Plains	1,254	6,571	7,825	3,005	1961
North Bergen (4)	2,309	635	2,944	15	1993
North Plainfield	500	13,684	14,184	2,543	1955
Totowa	1,097	12,549	13,646	4,190	1957
Turnersville	900	2,207	3,107	1,526	1974
Union	1,014	6,429	7,443	4,170	1962
Vineland	290	2,715	3,005	1,427	1966
Watchung (4)	4,200	4,100	8,300	65	1994
Woodbridge	220	3,577	3,797	2,503	1959
	-----	-----	-----	-----	
Total New Jersey	21,502	142,196	163,698	61,777	
	-----	-----	-----	-----	

New York					
14th Street and Union Square, Manhattan	12,581	7,486	20,067	30	1965
Albany (Menands)	460	3,249	3,709	1,510	1965
Buffalo (Amherst)	640	3,526	4,166	2,016	1968
Freeport	1,231	6,441	7,672	2,053	1981
New Hyde Park	-	122	122	122	1970
North Syracuse	-	23	23	20	1967
Rochester (Henrietta)	-	3,317	3,317	1,726	1971
Rochester	443	3,559	4,002	2,044	1966
	-----	-----	-----	-----	
Total New York	15,355	27,723	43,078	9,521	
	-----	-----	-----	-----	

COLUMN A

COLUMN H

COLUMN I

Description	Date acquired	Life on which depreciation in latest income statement is computed
-------------	---------------	---

Shopping Centers

New Jersey		
Atlantic City	1965	14 - 40 Years
Bordentown	1958	10 - 40 Years
Bricktown	1968	27 - 40 Years
Cherry Hill	1964	15 - 40 Years
Delran	1972	20 - 40 Years
Dover	1964	16 - 40 Years
East Brunswick	1957	13 - 33 Years
East Hanover	1962	16 - 40 Years
Hackensack	1963	17 - 40 Years
Jersey City	1965	19 - 40 Years
Kearny (4)	1959	28 - 40 Years
Lawnside	1969	19 - 40 Years
Lodi	1975	11 - 27 Years
Manalapan	1971	18 - 40 Years
Marlton	1973	21 - 40 Years
Middletown	1963	27 - 40 Years
Morris Plains	1985	14 - 19 Years
North Bergen (4)	1959	30 Years
North Plainfield	1989	26 - 30 Years
Totowa	1957	22 - 40 Years
Turnersville	1974	23 - 40 Years
Union	1962	10 - 40 Years
Vineland	1966	22 - 40 Years
Watchung (4)	1959	30 Years
Woodbridge	1959	11 - 40 Years
Total New Jersey		

New York		
14th Street and Union Square, Manhattan	1993	40 Years
Albany (Menands)	1965	27 - 40 Years
Buffalo (Amherst)	1968	14 - 40 Years
Freeport	1981	19 - 40 Years
New Hyde Park	1976	6 - 7 Years
North Syracuse	1976	11 - 12 Years
Rochester (Henrietta)	1971	22 - 40 Years
Rochester	1966	15 - 40 Years
Total New York		

----- CONTINUED -----

VORNADO REALTY TRUST
AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1994
(amounts in thousands)

COLUMN A	COLUMN B	COLUMN C		COLUMN D
Description	Encumbrances	Initial cost to company (1)		Costs capitalized subsequent to acquisition
Description	Encumbrances	Land	Buildings and improvements	Costs capitalized subsequent to acquisition
Pennsylvania				
Allentown	7,696 *	70	3,446	7,026
Bensalem	3,967 *	1,198	3,717	1,588
Bethlehem	-	278	1,806	3,317
Broomall	3,260 *	734	1,675	828
Glenolden	4,245 *	850	1,295	668
Lancaster	2,312 *	606	2,312	2,348
Levittown	2,283 *	193	1,231	216
10th and Market Streets, Philadelphia	-	933	3,230	0
Upper Moreland	3,517 *	683	2,497	112
York	1,463 *	421	1,700	1,260
Total Pennsylvania	28,743	5,966	22,909	17,363
Maryland				
Baltimore (Belair Rd.)	-	785	1,333	2,985
Baltimore (Towson)	5,779 *	581	2,756	560
Baltimore (Dundalk)	4,084 *	667	1,710	2,936
Glen Burnie	2,299 *	462	1,741	532
Hagerstown	-	168	1,453	460
Total Maryland	12,162	2,663	8,993	7,473
Connecticut				
Newington	3,042 *	502	1,581	537
Waterbury	3,889 *	-	2,103	1,275
Total Connecticut	6,931	502	3,684	1,812
Massachusetts				
Chicopee	1,999 *	510	2,031	358
Springfield (4)	-	505	1,657	743
Total Massachusetts	1,999	1,015	3,688	1,101
Texas				
Dallas	-	-	-	-
Lewisville	764 *	2,433	2,271	676
Mesquite	3,445 *	3,414	4,704	1,141
Skillman	1,987 *	3,714	6,891	686
Total Texas	6,196	9,561	13,866	2,503
Total Shopping Centers	220,450	50,328	155,103	104,444

COLUMN A	COLUMN E			COLUMN F	COLUMN G
Description	Gross amount at which carried at close of period			Accumulated depreciation and amortization	Date of construction (3)
Description	Land	Buildings and improvements	Total (2)	Accumulated depreciation and amortization	Date of construction (3)
Pennsylvania					
Allentown	170	10,372	10,542	3,257	1957
Bensalem	1,198	5,305	6,503	3,001	1972
Bethlehem	278	5,123	5,401	2,221	1966
Broomall	851	2,386	3,237	1,640	1966
Glenolden	850	1,963	2,813	843	1975
Lancaster	606	4,660	5,266	2,273	1966
Levittown	193	1,447	1,640	1,014	1964

10th and Market Streets, Philadelphia	933	3,230	4,163	-	1977
Upper Moreland	683	2,609	3,292	1,737	1974
York	421	2,960	3,381	1,412	1970
	-----	-----	-----	-----	
Total Pennsylvania	6,183	40,055	46,238	17,398	
	-----	-----	-----	-----	
Maryland					
Baltimore (Belair Rd.)	785	4,318	5,103	2,468	1962
Baltimore (Towson)	581	3,316	3,897	1,758	1968
Baltimore (Dundalk)	667	4,646	5,313	1,913	1966
Glen Burnie	462	2,273	2,735	1,656	1958
Hagerstown	168	1,913	2,081	1,111	1966
	-----	-----	-----	-----	
Total Maryland	2,663	16,466	19,129	8,906	
	-----	-----	-----	-----	
Connecticut					
Newington	502	2,118	2,620	1,320	1965
Waterbury	667	2,711	3,378	1,543	1969
	-----	-----	-----	-----	
Total Connecticut	1,169	4,829	5,998	2,863	
	-----	-----	-----	-----	
Massachusetts					
Chicopee	510	2,389	2,899	1,600	1969
Springfield (4)	2,586	319	2,905	24	1993
	-----	-----	-----	-----	
Total Massachusetts	3,096	2,708	5,804	1,624	
	-----	-----	-----	-----	
Texas					
Dallas					
Lewisville	2,469	2,911	5,380	419	1989
Mesquite	3,414	5,845	9,259	844	1988
Skillman	3,714	7,577	11,291	1,101	1988
	-----	-----	-----	-----	
Total Texas	9,597	16,333	25,930	2,364	
	-----	-----	-----	-----	
Total Shopping Centers	59,565	250,310	309,875	104,453	
	-----	-----	-----	-----	

COLUMN A

COLUMN H

COLUMN I

Description	Date acquired	Life on which depreciation in latest income statement is computed
-----	-----	-----
Pennsylvania		
Allentown	1957	24 - 42 Years
Bensalem	1972	20 - 40 Years
Bethlehem	1966	13 - 40 Years
Broomall	1966	13 - 40 Years
Glenolden	1975	23 - 40 Years
Lancaster	1966	14 - 40 Years
Levittown	1964	14 - 40 Years
10th and Market Streets, Philadelphia	1994	
Upper Moreland	1974	22 - 40 Years
York	1970	19 - 40 Years
Total Pennsylvania		
Maryland		
Baltimore (Belair Rd.)	1962	26 - 33 Years
Baltimore (Towson)	1968	19 - 40 Years
Baltimore (Dundalk)	1966	16 - 40 Years
Glen Burnie	1958	22 - 33 Years
Hagerstown	1966	13 - 40 Years
Total Maryland		
Connecticut		
Newington	1965	15 - 40 Years
Waterbury	1969	23 - 40 Years
Total Connecticut		
Massachusetts		
Chicopee	1969	20 - 40 Years
Springfield (4)	1966	30 Years
Total Massachusetts		
Texas		
Dallas		
Lewisville	1990	28 - 30 Years
Mesquite	1990	28 - 30 Years
Skillman	1990	27 - 30 Years
Total Texas		
Total Shopping Centers		

--- CONTINUED ---

VORNADO REALTY TRUST
AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1994
(amounts in thousands)

COLUMN A	COLUMN B	COLUMN C		COLUMN D
Description	Encumbrances	Initial cost to company (1)		Costs capitalized subsequent to acquisition
Description	Encumbrances	Land	Buildings and improvements	Costs capitalized subsequent to acquisition
Warehouse/Industrial				
New Jersey				
East Brunswick		147	4,772	2,734
East Hanover	8,210 *	576	7,752	5,921
Edison	2,455 *	705	2,839	1,240
Garfield	1,545	96	8,068	3,533
Total Warehouse/ Industrial	12,210	1,524	23,431	13,428
Other Properties				
New Jersey				
Paramus	1,500		8,345	1,908
Montclair	-	66	470	0
Rahway	-			25
Total Other Properties	1,500	66	8,815	1,933
Leasehold Improvements and Equipment				
TOTAL - DECEMBER 31, 1994	\$234,160 =====	\$51,918 =====	\$187,349 =====	\$119,805 =====

COLUMN A	COLUMN E			COLUMN F	COLUMN G
Description	Gross amount at which carried at close of period			Accumulated depreciation and amortization	Date of construction (3)
Description	Land	Buildings and improvements	Total (2)	Accumulated depreciation and amortization	Date of construction (3)
Warehouse/Industrial					
New Jersey					
East Brunswick	147	7,506	7,653	3,160	1972
East Hanover	691	13,558	14,249	6,853	1963 - 1967
Edison	704	4,080	4,784	1,488	1954
Garfield	96	11,601	11,697	7,149	1942
Total Warehouse/ Industrial	1,638	36,745	38,383	18,650	
Other Properties					
New Jersey					
Paramus	-	10,253	10,253	1,835	1967
Montclair	66	470	536	450	1972
Rahway	-	25	25	19	1972
Total Other Properties	66	10,748	10,814	2,304	
Leasehold Improvements and Equipment		6,760	6,760	3,298	
TOTAL - DECEMBER 31, 1994	\$61,269 =====	\$304,563 =====	\$365,832 =====	\$128,705 =====	

COLUMN A

COLUMN H

COLUMN I

Description

Date
acquiredLife on which depreciation
in latest income
statement is computed

Warehouse/Industrial

New Jersey

East Brunswick	1972	19 - 40 Years
East Hanover	1963	5 - 40 Years
Edison	1982	17 - 25 Years
Garfield	1959	17 - 33 Years

Total Warehouse/
Industrial

Other Properties

New Jersey

Paramus	1987	33 - 40 Years
Montclair	1972	15 Years
Rahway	1972	14 Years

Total Other
PropertiesLeasehold Improvements
and Equipment

3 - 20 Years

TOTAL - DECEMBER 31, 1994

* These encumbrances are cross collateralized under a blanket mortgage in the amount of \$227,000,000 at December 31, 1994.

Notes:

- 1) Initial cost is cost as of January 30, 1982 (the date on which Vornado commenced real estate operations) unless acquired subsequent to that date - see Column H.
- 2) Aggregate cost is approximately the same for federal income tax purposes.
- 3) Date of original construction - many properties have had substantial renovation or additional construction - see Column D.
- 4) Buildings on these properties were demolished in 1993. As a result, the cost of the buildings and improvements, net of accumulated depreciation, were transferred to land. In addition, the cost of the land in Kearny is net of a \$1,615,000 insurance recovery.

VORNADO REALTY TRUST
AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(amounts in thousands)

The following is a reconciliation of real estate assets and accumulated depreciation:

	Year Ended December 31, 1994 -----	Year Ended December 31, 1993 -----	Year Ended December 31, 1992 -----
Real Estate			
Balance at beginning of period	\$340,415	\$314,651	\$305,123
Additions during the period:			
Land	989	15,191	2,817
Buildings & improvements	24,428	14,332	8,398
	-----	-----	-----
	365,832	344,174	316,338
Less: Cost of assets written-off	-	3,759	1,687
	-----	-----	-----
Balance at end of period	\$365,832	\$340,415	\$314,651
	=====	=====	=====
Accumulated Depreciation			
Balance at beginning of period	\$118,742	\$111,142	\$103,520
Additions charged to operating expenses	9,963	9,392	9,309
	-----	-----	-----
	128,705	120,534	112,829
Less: Accumulated depreciation on assets written-off	-	1,792	1,687
	-----	-----	-----
Balance at end of period	\$128,705	\$118,742	\$111,142
	=====	=====	=====

EXHIBIT INDEX

Exhibit No. -----		Page Number in Sequential Numbering -----
3(a)	Amended and Restated Declaration of Trust of the Registrant, dated March 29, 1993 - Incorporated by reference from Form S-4, filed April 15, 1993.	*
(b)	By-laws of Vornado dated March 10, 1994 - Incorporated by reference from Annual Report on Form 10-K for the year ended December 31, 1993, filed March 24, 1994.	*
4	Indenture dated as of November 24, 1993 between Vornado Finance Corp. and Bankers Trust Company, as Trustee - Incorporated by reference from Current Report on Form 8-K dated November 24, 1993, filed December 1, 1993.	*
10(a) 1	Master Agreement and Guaranty, between Vornado, Inc. and Bradlees New Jersey, Inc. dated as of May 1, 1992 - Incorporated by reference from Quarterly Report on Form 10-Q for quarter ended March 31, 1992, filed May 8, 1992.	*
(a) 2	Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated as of November 24, 1993 made by each of the entities listed therein, as mortgagors to Vornado Finance Corp., as mortgagee - Incorporated by reference from Current Report on Form 8-K dated November 24, 1993, filed December 1, 1993.	*
(b) 1 **	1985 Stock Option Plan as amended - Incorporated by reference from Quarterly Report on Form 10-Q for quarter ended May 2, 1987, filed June 9, 1987.	*
(b) 2 **	Form of Stock Option Agreement for use in connection with incentive stock options issued pursuant to Vornado, Inc. 1985 Stock Option Plan - Incorporated by reference from Quarterly Report on Form 10-Q for quarter ended October 26, 1985, filed December 9, 1985.	*
(b) 3 **	Form of Stock Option Agreement for use in connection with incentive stock options issued pursuant to Vornado, Inc. 1985 Stock Option Plan - Incorporated by reference from Quarterly Report on Form 10-Q for quarter ended May 2, 1987, filed June 9, 1987.	*
(b) 4 **	Form of Stock Option Agreement for use in connection with non-qualified options issued pursuant to Vornado, Inc. 1985 Stock Option Plan - Incorporated by reference from Quarterly Report on Form 10-Q for quarter ended October 26, 1985, filed December 9, 1985.	*

- -----
* Incorporated by reference

** Management contract or compensatory plan

- 10(c) 1 ** Employment Agreement between Vornado, Inc. and Joseph Macnow
dated January 1, 1992 - Incorporated by reference from Annual Report on
Form 10-K for the year ended December 31, 1991, filed March 30, 1992. *
- (c) 2 ** Employment Agreement between Vornado, Inc. and Richard Rowan
dated January 1, 1992 - Incorporated by reference from Annual Report on
Form 10-K for the year ended December 31, 1991, filed March 30, 1992. *
- (d) 1 Promissory Notes from Steven Roth to Vornado, Inc. dated
December 29, 1992 and January 15, 1993 - Incorporated by reference
from Annual Report on Form 10-K for the year ended December 31, 1992,
filed February 16, 1993. *
- (d) 2 Registration Rights Agreement between Vornado, Inc. and Steven
Roth dated December 29, 1992 - Incorporated by reference
from Annual Report on Form 10-K for the year ended December 31, 1992,
filed February 16, 1993. *
- (d) 3 Stock Pledge Agreement between Vornado, Inc. and Steven Roth
dated December 29, 1992 - Incorporated by reference from Annual
Report on Form 10-K for the year ended December 31, 1992, filed
February 16, 1993. *
- (d) 4 Promissory Notes from Steven Roth to Vornado Realty Trust
dated April 15, 1993 and June 16, 1993 - Incorporated by reference
from Annual Report on Form 10-K for the year ended December 31, 1993,
filed March 24, 1994. *
- (d) 5 Promissory Note from Richard Rowan to Vornado Realty Trust -
Incorporated by reference from Annual Report on Form 10-K for the
year ended December 31, 1993, filed March 24, 1994. *
- (d) 6 Promissory Note from Joseph Macnow to Vornado Realty Trust -
Incorporated by reference from Annual Report on Form 10-K for the
year ended December 31, 1993, filed March 24, 1994. *
- (e) 1 Management Agreement between Interstate Properties and Vornado,
Inc. dated July 13, 1992 - Incorporated by reference from Annual
Report on Form 10-K for the year ended December 31, 1992,
filed February 16, 1993. *
- (f) 1 Real Estate Retention Agreement between Vornado, Inc., Keen Realty
Consultants, Inc. and Alexander's, Inc., dated as of July 20, 1992
- Incorporated by reference from Annual Report on Form 10-K for
the year ended December 31, 1992, filed February 16, 1993. *
- (f) 2 Amendment to Real Estate Retention Agreement dated
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- (f) 3 Stipulation between Keen Realty Consultants Inc. and Vornado Realty
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* Incorporated by reference

** Management contract or compensatory plan

(f) 4	Stock Purchase Agreement, dated February 6, 1995, among Vornado Realty Trust and Citibank, N.A. - Incorporated by reference from Current Report on Form 8-K dated February 6, 1995, filed February 21, 1995.	*
(f) 5	Management and Development Agreement, dated as of February 6, 1995 - Incorporated by reference from Current Report on Form 8-K dated February 6, 1995, filed February 21, 1995.	*
(f) 6	Standstill and Corporate Governance Agreement, dated as of February 6, 1995 - Incorporated by reference from Current Report on Form 8-K dated February 6, 1995, filed February 21, 1995.	*
(f) 7	Credit Agreement, dated as of March 15, 1995, among Alexander's, Inc., as borrower, and Vornado Lending Corp., as lender.	49
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 * Incorporated by reference

Alexander's, Inc.
31 W. 34th Street
New York, New York 10001

February 6, 1995

Vornado Realty Trust
Park 80 West, Plaza II
Saddle Brook, New Jersey 07663

Extension Agreement

Gentlemen:

Reference is made to (1) that certain Real Estate Retention Agreement, dated July 20, 1992 (the "Retention Agreement"), among Vornado, Inc., predecessor in interest to Vornado Realty Trust, Keen Realty Consultants Inc. and Alexander's, Inc. ("Alexander's") and (2) that certain Management and Development Agreement, dated as of February 6, 1995 (the "Management Agreement"), between Alexander's, certain affiliates of Alexander's and other parties that are signatories thereto (collectively, "Owners") and Vornado Realty Trust ("Manager"). All capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Management Agreement.

The parties hereto hereby acknowledge and agree that the term of the Retention Agreement shall be extended so that the term of the Retention Agreement shall become coterminus with the term of the Management Agreement, as the same may be renewed in accordance with Article II, Section A of the Management Agreement; provided, however, that in no event will the term of the Retention Agreement expire prior to the present one-year term of the Retention Agreement.

This letter agreement shall become effective on the Effective Date (as defined in the Management Agreement).

This letter agreement (i) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and may not be modified or amended except pursuant to the terms of an instrument signed by the parties

hereto; (ii) shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns; and (iii) shall be governed by, and construed in accordance with, the laws of the State of New York.

Very truly yours,

Alexander's, Inc.

By: /s/ Stephen Mann

Name: Stephen Mann
Title: Chairman

Accepted and Agreed as of this
6th day of February, 1995.

Vornado Realty Trust

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Vice President,
Chief Financial Officer

CREDIT AGREEMENT

dated as of March 15, 1995

among

ALEXANDER'S, INC.,
as Borrower

and

VORNADO LENDING CORP.,
as Lender

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CREDIT AGREEMENT dated as of March 15, 1995 by and between Alexander's, Inc., a Delaware corporation (the "Borrower"), as borrower, and Vornado Lending Corp., a New Jersey corporation (the "Lender"), as lender.

(1) WHEREAS, the Borrower has requested that the Lender make a loan in the aggregate principal amount and for purposes herein specified; and

(2) WHEREAS, the Lender is willing to make such a loan on the terms and conditions set forth herein;

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

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

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

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

"Bankruptcy Court" means the Bankruptcy Court for the Southern District of New York.

"Bankruptcy Court Order" means a certified copy of an order of the Bankruptcy Court substantially in the form attached as Exhibit A hereto.

"Bankruptcy Plan" means that certain Debtors' First Amended and Restated Joint Plan of Reorganization by the United States Bankruptcy Court, Southern District of New York in a Proceeding for a Reorganization Under Chapter 11, dated July 21, 1993.

"Bankruptcy Proceeding" means the proceedings for reorganization under Chapter 11 of the United States Bankruptcy Code pending in the Bankruptcy Court entitled In re Alexander's, Inc., et al. (Case Nos. 92B 42704 (CB) through 92B 42720 (CB) inclusive).

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

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

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

"Cash Collateral Account" means an account of the Borrower maintained with the Senior Lender in accordance with the Cash Collateral Agreement.

"Cash Collateral Agreement" means the Cash Collateral Agreement, dated of even date herewith, among the Borrower, the Lender and Senior Lender.

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

"Closing Date" means the date on which the Loan is advanced.

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

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

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

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

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

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

"Deeply Subordinate" means subordination by Lender of its rights under the Loan Documents in accordance with a subordination agreement entered into with a third party lender substantially in the form of that certain Subordination and Standstill Agreement attached as Exhibit A to that certain Mortgage and Security Agreement, dated as of February 24, 1995 from the Borrower in favor of Greyrock Capital Group Inc.

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

"Default Rate" means (a) prior to the Maturity Date, 4% per annum above the rate per annum required to be paid on the Loan pursuant to Sections 2.04(a) and (b) from and after the Maturity Date, 4% per annum above the rate per annum from time to time in effect determined by adding (i) 7.25% or, provided that the Lender shall have entered into the Intercreditor Agreement, 9.92% and (ii) the One-Year Treasury Rate in effect as of the Maturity Date; provided, however, that for purposes of determining the Default Rate, the One-Year Treasury Rate shall be re-determined as of each anniversary of the Maturity Date.

"Development Financing" means (i) those financings described in Section 6.06 and (ii) any construction or development financing with respect to a Future Development Property.

"Development Properties" means any of the Kings Plaza Store Property and the Paramus Property.

"Disclosed Litigation" means the matters described on Schedule I to this Credit Agreement.

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

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

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

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

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

"Fidelity Credit Agreement" means the Credit Agreement, dated of even date herewith, between the Borrower and First Fidelity.

"Financing Properties" means any of the Flushing Property, the Rego Park I Property, the Third Avenue Property and the Fordham Property.

"First Fidelity" means First Fidelity Bank, National Association.

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

"Fordham Property" means the Property designated on Schedule II to this Credit Agreement as the "Fordham Road Property".

"Future Development Property" means any or all of the Rego Park II Property, the Rego Park III Property and the Lexington Avenue Property, in each case after the Mortgage on such Property has been released by the Lender.

"GAAP" has the meaning specified in Section 1.03.

"Gross Agreement" means that certain letter agreement, dated March __, 1995, among the Gross Partners, the Lender, the Senior Lender, the Borrower and the Lex Store General Partner.

"Gross Partners" shall have the meaning assigned to such term in the Gross Partnership Agreement.

"Gross Partnership Agreement" means that certain Amended and Restated Agreement of Limited Partnership, dated as of August 21, 1986, as last amended by that certain Third Amendment to Amended and Restated Agreement of Limited Partnership for Seven Thirty One Limited Partnership, dated as of October 4, 1993, as modified, for purposes of the provisions of this Credit Agreement, by the Gross Agreement.

"Guarantor" means each of Alexander's of Flushing, Inc., Alexander's of Third Avenue, Inc., Alexander's of Fordham Road, Inc., Alexander's of Rego Park, Inc., Alexander's Department Stores of New Jersey, Inc., Alexander's Department Stores of Brooklyn, Inc., Alexander's of Brooklyn, Inc., Alexander's of Rego Park II, Inc., Alexander's of Rego Park III, Inc. and Admo Realty Corp. and subsequent assignees thereof and any other Person who shall execute a Guaranty after the date hereof.

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

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

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

"Intercreditor Agreement" means the Subordination and Intercreditor Agreement, dated of even date herewith, among the Vornado Realty Trust and the Lender and the Senior Lender, as modified by the Intercreditor Letter Agreement.

"Intercreditor Letter Agreement" means that certain letter agreement, dated of even date herewith, among the Lender and the Senior Lender.

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

"Interest Rate" means a rate per annum equal to (i) prior to the second anniversary of the Closing Date, 13.8% or, provided that the Lender shall have executed the Intercreditor Agreement pursuant to which the Loan Obligations shall be subordinated to the obligations of the Borrower owing to the Senior Lender under the Fidelity Credit Agreement, 16.43% and (ii) on and after the second anniversary of the Closing Date until all amounts owing under this Credit Agreement are paid in full, (A) 7.25% or, provided the Lender shall have executed the Intercreditor Agreement pursuant to which the Loan Obligations shall be subordinated to the obligations of the Borrower owing to the Senior Lender under the Fidelity Credit Agreement, 9.92% plus (B) the One-Year Treasury Rate.

"Kings Plaza Mall" means the Kings Plaza Mall property identified as such on the attached Schedule II to this Credit Agreement.

"Kings Plaza Store Property" means the Property designated on Schedule II to this Credit Agreement as the "Kings Plaza Store Property".

"Leasing Agreement" means that certain Real Estate Retention Agreement, dated July 20, 1992, among Vornado, Inc. (as predecessor to Vornado Realty Trust), Keen Realty Consultants and the Borrower as amended from time to time.

"Lender's Account" means an account of or specified by the Lender and, until the Lender shall notify the Borrower of a change in such account, shall mean the account of Vornado Realty Trust maintained at National Westminster Bank (Account No. 231313517).

"Lex Store General Partner" shall mean Alexander's Department Stores of Lexington Avenue, Inc., as general partner of Seven Thirty One Limited Partnership, a New York limited partnership.

"Lexington Avenue Partnership" means the partnership created pursuant to the Gruss Partnership Agreement.

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

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

"Loan" has the meaning specified in Section 2.01.

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

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

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

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

"Make Whole Premium" means (i) with respect to a prepayment of the Loan made pursuant to Section 2.03 on the second anniversary of the Closing Date, zero; and (ii) with respect to a prepayment of the Loan made pursuant to Section 2.03 on

any date other than the second anniversary of the Closing Date, the present value of the stream of monthly interest payments that would be payable on the entire outstanding principal balance of the Loan commencing on the first day of the calendar month following the first day of the Measuring Period and on the first day of each month thereafter and ending with a final payment of all accrued and unpaid interest on the last day of the Measuring Period, determined as if interest were accruing on said outstanding principal balance at the Make Whole Rate. For purposes of determining such present value, the discount rate used in such computation (the "Discount Rate"), shall be the yield on U.S. Treasury securities, adjusted to a constant maturity of a term equal to the Measuring Period, as made available by the Board of Governors of the Federal Reserve System.

"Make Whole Rate" means, with respect to any prepayment, a per annum rate, based on a 360 day year for the actual number of days elapsed, determined by subtracting the Discount Rate from the applicable per annum rate of interest on the Loan in effect on the date of prepayment.

"Management Agreement" means that certain Management Agreement, dated as of February 6, 1995, between the Borrower and Vornado Realty Trust, as amended from time to time.

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

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

"Maturity Date" means the third anniversary of the Closing Date.

"Measuring Period" means the period commencing on the date of a prepayment and ending on (i) the second anniversary of the Closing Date (if such prepayment is made prior to such second anniversary) or (ii) the Maturity Date (if such prepayment is made subsequent to the second anniversary of the Closing Date).

"Mortgage" or "Mortgages" means one or more mortgages, in substantially the form of Exhibit C to this Credit Agreement and covering all or any of the Properties,

as the same may be amended from time to time, duly executed by the applicable Mortgagor in favor of Lender.

"Mortgagor" means the Borrower, the Lexington Avenue Partnership, Alexander's of Fordham Road, Inc., and Alexander's Department Stores of New Jersey, Inc., or other mortgagor under a Mortgage, provided that any Mortgagor shall cease to be a Mortgagor upon the release or satisfaction of that Mortgagor's mortgage.

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

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

"One-Year Treasury Rate" means the weekly average yield of United States Treasury securities adjusted to a constant maturity of one year, as made available by the Board of Governors of the Federal Reserve System as of the first Business Day following the date which is ten (10) days prior to the second anniversary of the Closing Date.

"Other Taxes" has the meaning specified in Section 2.08(b).

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

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

"Permitted Liens" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced:

(a) Liens for taxes, assessments and governmental charges or levies not yet due and payable; (b) Liens created under the Senior Loan Documents; (c) Permitted Encumbrances; (d) Liens on any of the Properties now existing or hereafter granted in favor of one or more of the Gruss Partners that are required by the terms of the Gruss Partnership Agreement and that are now subordinated to the liens of the Mortgage and the Collateral Documents or hereafter Deeply Subordinated to the liens of the Mortgage and the Collateral Documents; (e) Liens in favor of one or more Gruss Partners on partnership interests of the Lex Store General Partner or the Borrower required to be granted in connection with the exercise of the 4/7 Redemption or the 3/7 Redemption (each as defined in the Gruss Partnership Agreement) provided that one Unit (as defined in the Gruss Partnership Agreement) held by the Lex Stores General Partner as a general partner shall at all times remain free and clear of any liens except those in favor of the Lender or the Senior Lender; (f) with respect to any real property acquired by Borrower or any Subsidiary or Affiliate of Borrower after the date hereof, liens to which such property is subject as of the date of such acquisition, purchase money mortgages or other similar purchase liens and liens in favor of lenders providing construction or development financing in connection with such property provided, that all proceeds of such financings are used for construction or development of such property or the retirement of Existing Debt secured by one or more liens on such Property; (g) Liens permitted to be incurred by Borrower pursuant to the terms of this Agreement; (h) Liens in connection with taxes being contested in good faith in compliance with this Credit Agreement; and (i) any renewal or replacement of any Lien securing Surviving Debt or Lien permitted pursuant to the foregoing clauses (a) through (h), inclusive, provided that any such renewal or replacement Lien secures Debt in an amount not in excess of the Debt secured by the Lien so renewed or replaced, provided, however, that notwithstanding the foregoing, the Lender shall not be required to subordinate to any Lien pursuant to this clause (i) except as otherwise provided in this Credit Agreement.

"Permitted Related Owner" means any of (a) any Subsidiary now existing or hereafter created all shares of issued and outstanding capital stock of which are owned by the Borrower or (b) a corporation (x) 90% or more of the economic interests of which shall be held by the Borrower through the ownership of shares of preferred and/or common stock of such corporation and (y) 10% or less of the economic interests of which shall be held by an entity reasonably satisfactory to the Lender through the ownership of shares of common and/or preferred stock of such corporation; provided that (i) all of such stock owned by the Borrower has been or is pledged to the Lender under a pledge agreement substantially in the form of the Pledge Agreement and that creates a first priority lien in favor of the Lender and (ii) such Subsidiary or corporation enters into a guaranty substantially in the form of the Guaranty pursuant to which it guarantees the obligations of the Borrower under the Notes. The conditions regarding share ownership set forth in clauses (x) and (y)

above may be varied to the extent necessary for any income received by the Borrower to be described in Section 856(c)(2) of the Code or for the Borrower to continue to qualify as a REIT.

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

"Pledge Agreement" means a pledge agreement, in substantially the form of Exhibit D to this Credit Agreement, as amended from time to time, among the Borrower, Alexander's Department Stores of Lexington Avenue, Inc., as pledgors, and the Lender, as pledgee.

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

"Properties" means the properties listed on Schedule II to this Credit Agreement (other than the Kings Plaza Mall) and any real property acquired by the Borrower or any Mortgagor after the Closing Date.

"Reciprocal Easement Agreement" means that certain Construction, Operation and Reciprocal Easement Agreement, dated February 2, 1970, among Flatbrook Properties Corp., Kings Plaza Shopping Center of Avenue U, Inc. and Kings Plaza Shopping Center of Flatbush Avenue, Inc. as amended from time to time, and relating to the Kings Plaza Property.

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

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

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

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

"Release Date" has the meaning set forth in the Mortgage encumbering the Lexington Avenue Property.

"Release Price" has the meaning assigned to the term "Assignment Price" in the Gruss Agreement.

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

"Senior Debt" means any Secured Debt that is secured by any of the Properties and/or the Collateral with respect to which the liens have priority over the lien of the Mortgage.

"Senior Lender" means First Fidelity or its assignee under the Fidelity Credit Agreement.

"Senior Loan" means the loan made by the Senior Lender to the Borrower under the Senior Loan Documents.

"Senior Loan Documents" means the Credit Agreement, dated of even date herewith, between the Borrower and the Senior Lender or its assignee (the "Fidelity Credit Agreement") and the other documents defined as "Loan Documents" therein.

"Special Financings" means the financing of any Financing Property or Special Financing Property described in Section 6.05 (a) or (b).

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

"Subordination Conditions" means the conditions set forth on Schedule XIV to this Credit Agreement.

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

"Surviving Debt" means the Debt of the Borrower identified on Schedule III to the Credit Agreement.

"Surviving Debt Agreement" means any agreement or instrument setting forth the terms and conditions of any Surviving Debt, as the same may be amended from time to time.

"Taxes" has the meaning specified in Section 2.08(a).

"Tenancy In Common Agreement" means that certain Agreement, dated February 1, 1970, between Kings Plaza Shopping Center of Avenue U, Inc. and Kings Plaza Shopping Center of Flatbush Avenue, Inc. and pertaining to the Kings Plaza Mall property.

"Third Avenue Property" means the Property designated on Schedule II to the Credit Agreement as the "Third Avenue Property".

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

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

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

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Loan. The Lender agrees, on the terms and conditions hereinafter set forth, to make a single advance to the Borrower on the Closing Date in an amount equal to Forty-Five Million and 00/100 Dollars (\$45,000,000.00) (such sum being hereinafter referred to as the "Loan"). Amounts borrowed under this Section 2.01 and repaid or prepaid may not be reborrowed.

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

SECTION 2.03. Prepayments. The Borrower may, provided that the Borrower shall simultaneously prepay all of its "Loan Obligations" as defined in and in accordance with the Fidelity Credit Agreement, upon at least fifteen (15) days' notice to the Lender stating the date (the "Prepayment Date"), and if such notice is given the Borrower shall, prepay the outstanding aggregate principal amount of the Loan, together with (i) accrued interest to the date of such prepayment on the aggregate principal amount prepaid, (ii) all other accrued and unpaid amounts due hereunder or under any other Loan Document, and (iii) the Make Whole Premium. The Borrower agrees that the Make Whole Premium has been freely bargained for to provide the Lender with compensation for the cost of reinvesting the Loan proceeds and for the loss of the contracted return on the Loan, and that such prepayment premium is reasonable and constitutes a means of providing the Lender with a substitute or alternative source of cash flow if the Loan or any part thereof is prepaid prior to the second anniversary of the Closing Date or after the second anniversary of the Closing Date but prior to the Maturity Date. Except as otherwise provided herein, the Make Whole Premium shall apply to a voluntary or involuntary prepayment of the Loan, whether by acceleration of the principal balance due upon an Event of Default or otherwise. Anything herein contained or contained in the Cash Collateral Agreement to the contrary notwithstanding, the monies on deposit in the Cash Collateral Account may be used by the Borrower to effect a prepayment of the Loan Obligations, provided that all of the Obligations of the Borrower under the Fidelity Credit Agreement shall have been paid.

SECTION 2.04. Interest. (a) Ordinary Interest. The Borrower shall pay interest on the unpaid principal amount of the Loan owing to the Lender from the Closing Date, until such principal amount shall be paid in full, payable in arrears on the fifteenth day of each month (each an "Interest Payment Date") at a rate per annum equal to the Interest Rate.

(b) Additional Interest. The Borrower shall pay additional interest on the Loan, if applicable, pursuant to Section 6.03 of this Credit Agreement.

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

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

SECTION 2.05. Loan Fee. The Borrower will pay to the Lender, as consideration for the Lender having agreed to advance funds pursuant to this Credit Agreement, on the Closing Date a fee equal to 2.5% or, provided that the Lender shall have executed the Intercreditor Agreement pursuant to which the Loan Obligations shall be subordinated to the obligations of the Borrower under the Fidelity Credit Agreement, 3.334% of the Loan.

SECTION 2.06. Increased Costs. If, with respect to any assignee of the Lender or a Participant that is a bank (a "Bank Lender"), due to either (i) the introduction of or any change in or in the interpretation of any law or regulation (other than a law or regulation relating to taxes) or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the amount of capital required by such Bank Lender or authority to be maintained by such Bank Lender or any corporation controlling Bank Lender as a result of or based upon the existence of Bank Lender's commitment to lend hereunder then, upon demand by Bank Lender, the Borrower shall pay to Bank Lender, from time to time as reasonably specified by Bank Lender, additional amounts sufficient to compensate Bank Lender in the light of such circumstances, to the extent that Bank Lender reasonably determines such increase in capital to be allocable to the existence of the Loan.

SECTION 2.07. Payments and Computations. (a) The Borrower shall make each payment required to be made hereunder and under the Notes not later than 11:00 A.M., New York City time, on the day when due in U.S. dollars to the Lender at the Lender's Account in immediately available (same day) funds.

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

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

(d) The Borrower covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury or similar law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Credit Agreement, the Notes or the other Loan Documents; and the Borrower (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Lender, but will suffer and permit the execution of every such power as though no such law had been enacted. It is the intent of the Lender and the Borrower in the execution of the Notes, this Credit Agreement and all other instruments now or hereafter securing the Notes or executed in connection therewith or under any other written or oral agreement by the Borrower in favor of the Lender to contract in strict compliance with applicable usury law. In furtherance thereof, the Lender and the Borrower stipulate and agree that none of the terms and provisions contained in the Notes, this Credit Agreement or any other instrument securing the Notes or executed in connection herewith, or in any other written or oral agreement by the Borrower in favor of the Lender, shall ever be construed to create a contract to pay for the use, forbearance or detention of money, interest at a rate in excess of the maximum interest rate permitted to be charged by applicable law. Neither the Borrower nor any guarantors, endorsers or other parties now or hereafter becoming liable for payment of the Notes shall ever be required to pay interest on the Notes or on indebtedness arising under any instrument securing the Notes or executed in connection therewith, or in any other written or oral agreement by the Borrower in favor of the Lender, at a rate in excess of the maximum interest that may be lawfully charged under applicable law, and the provisions of this Section 2.07(d) shall control over all other provisions of the Notes, this Credit Agreement and any other instruments now or hereafter securing the Notes or executed in connection herewith or any other oral or written agreements that may be in apparent conflict herewith. The Lender expressly disavows any intention to charge or collect excessive unearned interest or finance charges in the event the maturity of the Notes is accelerated. If the maturity of the Notes shall be accelerated for any reason or if the principal of the Notes is paid prior to the end of the term of the Notes, and as a result thereof the interest received for the actual period of existence of the Loan exceeds the applicable maximum lawful rate, the Lender shall, at its option, either refund to the Borrower the amount of such excess or credit the amount of such excess against the principal balance of the Notes then outstanding and thereby shall render inapplicable any and all penalties of any kind provided by applicable law as a result of such excess interest. In the event that the Lender shall collect monies and/or any other thing of value that are then or at any time deemed to constitute interest that would increase the effective interest rate on the Notes to a rate in excess of that permitted to be charged by applicable law, an amount equal to interest in excess of the lawful rate shall, upon such determination, at the option of the Lender, be either immediately returned to the Borrower or credited against the principal balance of the Notes then outstanding, in which event any and all penalties of any kind under applicable law as a result of such excess interest shall be inapplicable. By execution of this Credit Agreement, the Borrower

acknowledges that it believes the Loan to be non-usurious and agrees that if, at any time, the Borrower should have reason to believe, that the Loan is in fact usurious, it will give the Lender notice of such condition and the Borrower agrees that the Lender shall have ninety (90) days after receipt of such notice in which to make appropriate refund or other adjustment in order to correct such condition if in fact such exists.

SECTION 2.08. Taxes. (a) Any and all payments by the Borrower hereunder or under the Notes shall be made, in accordance with this Section 2.08, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings other than (i) net income taxes, franchise taxes and similar taxes imposed on the Lender or a Participant, (ii) any tax, assessment or other governmental charge that would not have been imposed but for the failure of the Lender or a purchaser of all or a portion of the Lender's or a Participant's rights and obligations under this Credit Agreement to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the Lender or a Participant, if compliance is required by statute or by regulation of the United States Treasury Department as a precondition to exemption from such tax, assessment or other governmental charge, (iii) any tax, assessment or other governmental charge that would not have been imposed but for either (a) a sale or other transfer of all or a portion of the Lender's or a Participant's rights and obligations under this Credit Agreement to a Person that is not an entity that is treated as a corporation organized or created under the laws of the United States or of any State for U.S. federal tax purposes or (b) Lender's merger or consolidation with, or transfer of substantially all of its assets to, another entity, and (iv) any tax, assessment or other governmental charge that would not have been imposed but for any present or former connection between the Lender or a Participant (or a shareholder of the Lender or a Participant) and the jurisdiction imposing such tax, assessment or other governmental charge, including, without limitation, the Lender or a Participant's being or having been a citizen or resident of, present or engaged in a trade or business in, such jurisdiction, but excluding a connection arising solely as a result of the Lender's having entered into, received payments under and enforced this Credit Agreement (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under the Notes to the Lender, (i) the sum payable shall be increased as may be necessary so that after making all required deductions for Taxes (including deductions ("Additional Taxes") applicable to additional sums payable pursuant to this sentence), the Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any present or future stamp, documentary, excise, property or similar taxes, charges or levies that arise from any payment

made hereunder or under the Notes or from the execution, delivery or registration of, or otherwise with respect to, this Credit Agreement or the Notes (hereinafter referred to as "Other Taxes").

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

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

(e) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.08 shall survive the payment in full of principal and interest hereunder and under the Note.

SECTION 2.09. Payment of Certain Costs and Expenses. The Borrower shall pay to the Lender within five (5) days after demand therefor all reasonable costs and expenses (including reasonable attorneys' fees and disbursements) incurred by the Lender in connection with (i) the approval of any lease, (ii) the preparation, negotiation and execution of any non-disturbance agreement requested for any lease, (iii) review and approval of any plans, construction contracts or any other documents relating to construction or development of a Property; and (iv) the assignment of any liens of the Mortgages pursuant Section 6.08.

SECTION 2.10. Use of Proceeds. The proceeds of the Loan and of the loan under the Fidelity Credit Agreement shall be available (and the Borrower agrees that it shall use such proceeds) to refinance certain Existing Debt and to provide working capital for the Borrower and its Subsidiaries, and for other uses, in each case as set forth on Schedule IV.

ARTICLE III

CONDITIONS OF LENDING

SECTION 3.01. Conditions Precedent to Funding Loan. The Loan shall be advanced by the Lender at a closing to be held on March 15, 1995, or such later date as the Borrower and the Lender may otherwise agree, provided that the following conditions shall be conditions precedent to the obligations of the Lender hereunder to make the Loan:

- (1) the representations and warranties of the Borrower contained in Section 4.01 shall be true and correct as of the Closing Date as if made on such date;
- (2) the Bankruptcy Court Order shall have been entered by the Bankruptcy Court and shall have become final and nonappealable;
- (3) paid-up mortgage title commitments in the form of the marked-up commitments which have been heretofore initialed by the respective attorneys for the Borrower and the Lender for identification purposes (the "Form Commitments"), dated the date of the Closing Date, and containing no title exceptions except those shown on the Form Commitments;
- (4) Amroc Investments, Inc. shall have executed and delivered to the Borrower a release of certain claims substantially in a form previously provided by the Lender;
- (5) the Lender shall have received opinion of Shearman and Sterling and Wells, Garofalo, Jaworski & Liebman, counsel and local counsel, respectively, to the Company in substantially the forms attached as Exhibits G and H, respectively dated the Closing Date;
- (6) the closing of the Senior Loan shall occur simultaneously with the closing of the Loan and the proceeds thereof shall be applied in accordance with Section 2.10 of this Credit Agreement; and
- (7) all costs and fees of the Lender (including attorneys' fees and expenses) in connection with the Loan shall have been paid.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

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

- (a) Each Loan Party that is a corporation (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of its incorporation, (ii) is duly qualified and in good standing as a foreign corporation in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed is not reasonably likely to have a Material Adverse Effect and

(iii) has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

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

(c) Set forth on Schedule V hereto is a complete and accurate list of all Subsidiaries of each Loan Party and certain other affiliates, showing as of the date hereof (as to each such Subsidiary) the jurisdiction of its incorporation or formation and, in the case of corporations, the number of shares of each class of capital stock authorized, and the number outstanding, on the date hereof and the percentage of the outstanding shares of each such class owned (directly or indirectly) by such Loan Party and the number of shares covered by all outstanding options, warrants, rights of conversion or purchase and similar rights at the date hereof. All of the outstanding capital stock of all of such corporate Subsidiaries has been validly issued, is fully paid and non-assessable and is owned by such Loan Party or one or more of its Subsidiaries free and clear of all Liens, except those created by the Collateral Documents and the Senior Loan Documents.

(d) The execution, delivery and performance by each Loan Party of this Credit Agreement, the Notes, each other Loan Document and each Related Document to which it is or is to be a party, and the consummation of the transactions contemplated herein and therein, are within such Loan Party's corporate or partnership powers, have been duly authorized by all necessary corporate or partnership action, and, to each such Loan Party's knowledge, do not (i) contravene such Loan Party's organizational documents, (ii) violate any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award, except where such violation is not reasonably likely to have a Material Adverse Effect and except as set forth on Schedule VI to this Credit Agreement, (iii) except as set forth on Schedule VI to this Credit Agreement, conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting any Loan Party, any of its Subsidiaries or any of their properties, except where such conflict, breach or default is not reasonably likely to have a Material Adverse Effect or (iv) except for the Liens created by the Collateral Documents and Senior Loan Documents, result in or require the creation or

imposition of any Lien upon or with respect to any of the properties of any Loan Party or any of its Subsidiaries.

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

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

(g) The Consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 1993, and the related Consolidated statement of income and cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of Deloitte & Touche, independent public accountants, and the Consolidated balance sheet of the Borrower and its Subsidiaries as at September 30, 1994, and the related Consolidated statement of income and cash flows of the Borrower and its Subsidiaries for the nine months then ended, duly certified by the Chairman of the Board of Borrower or any other officer of Borrower, copies of which have been furnished to the Lender, fairly present, subject, in the case of said balance sheet as at September 30, 1994, and said statement of income and cash flows for the nine months then ended, to year-end audit adjustments, the Consolidated financial condition of the Borrower and its Subsidiaries as at such dates and the Consolidated results of the operations of the Borrower and its Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles applied on a consistent basis. Since September 30, 1994, there has been no Material Adverse Change.

(h) The rent roll for the Properties delivered to the Lender on the Closing Date is true, accurate and complete in all material respects.

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

(j) To such Loan Party's knowledge, there is no action, suit, investigation, litigation or proceeding affecting any Loan Party not covered by insurance (subject to reasonable deductibles), including any Environmental Action, pending before any court, governmental agency or arbitrator that (i) would be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation) or (ii) other than the Bankruptcy Proceeding, purports to affect the legality, validity or enforceability of this Credit Agreement, the Notes, any other Loan Document or any Related Document or the consummation of the transactions contemplated hereby, and there has been no adverse change in the status or financial effect on any Loan Party of the Disclosed Litigation from that described on Schedule I.

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

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

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

(n) Set forth on Schedule IX to this Credit Agreement is a complete and accurate list of all real property owned by any Mortgagor or any of their Subsidiaries, showing as of the date hereof the street address, county or other relevant jurisdiction, state and record owner thereof. Each Mortgagor, or such Subsidiary, has good, marketable and insurable fee simple title to such real property, free and clear of all Liens, other than those disclosed on such Schedule and Liens created or permitted by the Loan Documents and the Senior Loan Documents.

(o) Set forth on Schedule X to this Credit Agreement is a complete and accurate list of all leases of real property under which any Mortgagor or any of their Subsidiaries is the lessee, showing as of the date hereof the street address, county or other relevant jurisdiction, state, lessor, lessee, expiration date and annual base rental cost thereof. To such Mortgagor's knowledge, each such lease is the legal, valid and binding obligation of the lessor thereof, enforceable in accordance with its terms.

(p) Except as set forth on Schedule XI to this Credit Agreement, no Loan Party is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained herein or in any material agreement or instrument to which it is a party or by which it or any of its properties is bound including, without limitation, the Bankruptcy Plan, except for any such default which shall be cured on the Closing Date with the proceeds of the borrowings made pursuant to this Credit Agreement.

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

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

(s) That all of the Allowed Class 6 Claims (as defined in the Bankruptcy Plan) held by Amroc Investments, Inc. shall have been paid in full simultaneously with the funding of the Loan under this Credit Agreement.

ARTICLE V

COVENANTS

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

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

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

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

(d) Maintenance of Insurance. Maintain, and cause each Mortgagor to maintain, insurance with responsible and reputable insurance companies or associations in such amounts (subject to reasonable deductibles) and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates and as otherwise required by the Mortgages, provided, however, that Borrower shall cause the Mortgagors to maintain the insurance required by the Mortgages.

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

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

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

(h) Compliance with Terms of Lease Agreements. Perform timely all of the obligations, covenants and agreements of the landlord contained in any lease now or hereafter affecting any of the Properties and require the timely performance by the tenant of all of the obligations, covenants and agreements to be performed by such tenant.

(i) Approval of Leases. The Borrower shall not, and shall cause each Mortgagor not to, lease space at any of the Properties (other than the Kings Plaza Mall) without the Lender's consent, which consent shall not unreasonably be withheld, provided, however, that no such consent of Lender shall be required for any lease of 10,000 square feet or less unless (i) such lease requires the Lender to provide a non-disturbance agreement to the lessee or (ii) such lease is not on commercially reasonable terms. It is hereby expressly acknowledged and agreed by the Lender that all leases at any Property identified on the certified rent roll delivered to the Lender pursuant to Section 4.01(h) of this Credit Agreement are and shall be deemed to be approved.

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

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

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

(m) After Acquired Properties. Subject to the requirements of (i) liens existing at the time of acquisition, (ii) purchase money mortgage liens and (iii) liens in connection with construction or development financing which construction or development financing is reasonably acceptable to the Lender, grant to the Lender a valid mortgage lien, or spread the lien of a Mortgage to encumber, any real property acquired by Borrower or any Subsidiary after the date hereof.

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

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

(p) Mandatory Transfer. Cause title to the King's Plaza Store Property, the Rego Park I Property, the Rego Park II Property and the Third Avenue Property to be transferred to a Permitted Related Owner not later than April 15, 1995, provided that such date may be extended to be co-terminus with the expiration of the period during which the Borrower may obtain the benefits of mortgage recording tax exemptions pursuant to an order of the Bankruptcy Court.

(q) Reserve for Certain Disclosed Litigation. The Borrower shall, on the date hereof, establish, and until the Loan shall be paid in full, maintain a segregated account with First Fidelity in an amount sufficient, at all times, to pay in full any outstanding claim constituting a part of item number 3 in Schedule I to this Credit Agreement; provided, however, the segregated account need never exceed \$7,500,000.00.

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

(a) Liens, Etc. Create, incur, assume or suffer to exist, or permit any Loan Party or Subsidiary to create, incur, assume or suffer to exist, any Lien on or

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

- (i) Liens created by the Loan Documents or the Senior Loan Documents;
 - (ii) Permitted Liens;
 - (iii) Special Liens (as defined in Section 5.02(b));
 - (iv) Liens permitted pursuant to Development Financings;
 - (v) Liens in connection with any Special Financings; and
 - (vi) Liens otherwise consented to by the Lender in writing.
- (b) Debt. Create, incur, assume or suffer to exist, or permit any Mortgagor or Subsidiary to create, incur, assume or suffer to exist, any Debt other than:
- (i) Debt under the Loan Documents or the Senior Loan Documents;
 - (ii) Debt permitted pursuant to Development Financings;
 - (iii) Surviving Debt;
 - (iv) Subordinate Debt or subordinated indebtedness permitted pursuant to Section 5.02(f) or approved by the Lender;
 - (v) Debt secured by Permitted Liens; and
 - (vi) Debt incurred in connection with Special Financings;

provided, however, that the Borrower shall be permitted to enter into any agreement or agreements contemplating the incurrence by the Borrower of Debt in an aggregate amount not to exceed \$150,000,000 in connection with the construction or

development of all or any Financing Property or Development Property, provided that (i) the lien of the lender under any such agreement (each a "Special Lien") shall be Deeply Subordinated to the liens of the Mortgages and (ii) no funds shall be advanced in respect of any such Debt until the requirements set forth in this Credit Agreement with respect to such Financing Property or Development Financing shall have been satisfied by the Borrower or waived by the Lender and the Senior Lender, at which time the Liens of the Lender shall be subordinated or released in accordance with the terms of this Credit Agreement.

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

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

(e) Loans, etc. Make, or permit any Mortgagor to make, loans to any Person, other than to the Borrower, a wholly owned Subsidiary or a Permitted Related Owner, provided that loans may be made to the Lexington Avenue Partnership or the Lex Store General Partner as may be necessary to satisfy the obligations under agreements in effect as of the date hereof of the Borrower, the Lexington Avenue Partnership or the Lex Store General Partner or to provide funds necessary to operate the business of the Lexington Avenue Partnership and the Lex Store General Partner.

(f) Dividends, Etc. Declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its capital stock or any warrants, rights or options to acquire such capital stock, now or hereafter outstanding (except that Permitted Related Owners may pay dividends to the Borrower) return any capital to its stockholders as such, make any distribution of assets, capital stock, warrants, rights, options, obligations or securities to its stockholders as such or issue or sell any capital stock or any warrants, rights or options to acquire such capital stock (except for capital stock issued by Permitted Related Owners), or permit any of its

Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any capital stock of the Borrower or any warrants, rights or options to acquire such capital stock or to issue or sell any capital stock or any warrants, rights or options to acquire such capital stock; provided, however, that nothing contained in this paragraph shall prohibit Borrower from (i) paying a dividend or making a distribution in the form of, or from the proceeds of an issuance of, subordinated indebtedness or otherwise (including, without limitation, payment in cash) as may reasonably be required, based upon the advice of counsel, to enable the Borrower to qualify as a REIT under the Code or (ii) paying a dividend or making a distribution from the proceeds of the issuance by the Borrower of equity securities.

(g) Change in Nature of Business. Make, or permit any Mortgagor to make, any material change in the nature of its business as carried on at the date hereof and will not, nor permit any Mortgagor to, remove, demolish, materially alter, discontinue the use of, sell, transfer, assign, hypothecate, pledge or otherwise dispose of, except as permitted hereunder and for sales, transfers, assignments and pledges to Subsidiaries or Permitted Related Owners, any part of its assets necessary for the continuance of its business, as presently conducted and as presently contemplated, except (i) in the normal course of business, (ii) as required under the Gruss Partnership Agreement but only to the extent expressly permitted herein, and (iii) in connection with Development Financings or Special Financings; notwithstanding the foregoing, no Mortgagor shall transfer any Property except to a Permitted Related Owner.

(h) Charter Amendments. Amend, or permit any Mortgagor or Subsidiary to amend, its certificate of incorporation or bylaws.

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

(j) Amendment, Etc. of Related Documents. Except as may be required in order for the Borrower to qualify as a REIT under the Code, with respect to (i) the Management Agreement, (ii) the Leasing Agreement, (iii) the Tenancy in Common Agreement, (iv) the Reciprocal Easement Agreement, (v) the Senior Loan Documents, (vi) Major Leases and (vii) the Gruss Partnership Agreement, cancel or terminate or consent to or accept any cancellation or termination thereof, amend, modify or change in any material manner any term or condition thereof, waive any material default under or any material breach of any material term or condition thereof, agree in any manner to any other amendment, modification or change of any material term or condition thereof or take any other action in connection therewith that would impair

the value of the interest or rights of the Borrower thereunder or that would impair the rights or interests of the Lender, or permit any Mortgagor to do any of the foregoing.

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

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

(m) Future Property Acquisition. Except as permitted in Section 6.01, acquire, or permit any Mortgagor or Subsidiary to acquire, any real property without the consent of the Lender and without executing and delivering or causing such Mortgagor or Subsidiary to execute and deliver any instrument the Lender may deem necessary or desirable to effectuate such real property becoming additional security for the Loan in accordance with Section 5.01(m).

(n) Payments Under Subordinate Loan Documents. Make any payment in respect of any Subordinate Debt (i) at any time while any amount shall be due and owing under any of the Loan Documents or (ii) after the Loan shall have matured or the Lender shall have accelerated payment of the Loan pursuant to Section 7.01 or prepay any Subordinate Debt while at any time that any Loan Obligation remains unpaid other than as provided in Section 5.02(r).

(o) Lex Store General Partner. Cause or permit the Lex Store General Partner to withdraw as sole general partner of the Gruss Partnership, to be other than the sole general partner or to designate a general partner under the Gruss Partnership Agreement other than the Lex Store General Partner.

(p) Transfer of Properties. Transfer title to any of the Properties except to (i) any Mortgagor, (ii) any Person described in clause (a) of the definition of Permitted Related Owner or (iii) any Person described in clause (b) of the definition of Permitted Related Owner, provided that, in the case of clause (iii), a receiver of a Property sought to be transferred to such Permitted Related Owner has proposed to enter into a lease at such Property or take any other action which would materially adversely affect the Borrower's qualification as a REIT and the Borrower has given ten (10) days' notice to the Lender of its intention to transfer such Property to such Permitted Related Owner.

(q) Issuance of Shares. Issue, or permit any Subsidiary (other than a Permitted Related Owner) to issue any shares of stock that are not issued as of the date hereof, except that notwithstanding this paragraph the Borrower shall be permitted to issue shares of stock at any time so long as, taking into account such issuance, Vornado Realty Trust and its Affiliates (including for this purpose Interstate Properties) shall continue to own in the aggregate not less than 20% of the outstanding shares of common stock of the Borrower, and provided further, with respect to the Borrower only, that an automatic exchange involving Excess Stock as defined in and pursuant to the Borrower's Amended and Restated Certificate of Incorporation shall not be treated as an issuance of shares for purposes of this paragraph.

(r) Prepayment of Gruss Mortgage. Prepay the 4/7 Redemption Note or the 3/7 Redemption Note (each as defined in the Gruss Partnership Agreement) prior to the release of the Mortgage relating to the Lexington Avenue Property.

(s) Lexington Avenue Partnership. Permit the Lex Store General Partner to pledge its entire general partnership interest in the Lexington Avenue Partnership.

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

(a) Quarterly Financials. (i) As soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Borrower, Borrower's Quarterly Report on Form 10-Q for the preceding quarter as filed with the Securities and Exchange Commission (the "Commission"), containing unaudited financial statements as required by law; and (ii) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year, an unaudited consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such quarter and consolidating statement of operations and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the

previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding period of the preceding fiscal year, all in reasonable detail and represented to be true and correct (subject to year-end audit adjustments) by the Chairman of the Board of the Borrower or other officer of the Borrower.

(b) Annual Financials. (i) As soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, a copy of the Borrower's Annual Report on Form 10-K for such fiscal year as filed with the Commission; and (ii) as soon as available and in any event within 120 days after the end of each fiscal year, an unaudited consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year and an unaudited consolidating statement of operations and cash flows of the Borrower and its Subsidiaries for such fiscal year, represented to be true and correct by the Chairman of the Board of the Borrower or other officer of the Borrower.

(c) Litigation. Promptly after the commencement thereof, notice of all actions, suits, investigations, litigation and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting any Loan Party of the type described in Section 4.01(j), and promptly after the occurrence thereof, notice of any material adverse change in the status of the Disclosed Litigation from that described on Schedule I to this Credit Agreement.

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

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

(f) Financial Data for Kings Plaza Mall. Notwithstanding anything to the contrary contained herein, the following shall be the financial reporting requirements for the Kings Plaza Mall: (A) within 120 days after the end of each fiscal year of the Kings Plaza Mall, annual financial statements of the Kings Plaza Mall, including a balance sheet and a statement of operations and cash flows then audited by Deloitte & Touche or another independent certified public accountant acceptable to the Lender, and a rent roll and summary of leases prepared by the manager of the Kings Plaza Mall and represented as true and correct by such manager, and (B) no later than 45 days after the end of each fiscal quarter, a quarterly operating statement with respect to the Kings Plaza Mall prepared by the manager of the Kings Plaza Mall and represented as true and correct by such manager.

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

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

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

from collecting amounts due to the Lender under this Credit Agreement or from foreclosing on any property securing such indebtedness or (y) be deemed to have been breached or violated by the Lender as a result of any act or action (including, without limitation, the execution of a lease) made, done or taken by any receiver for any property of any Loan Party (including a receiver appointed at the request of the Lender) unless a motion to compel such act or action was made by the Lender to the court which appointed such receiver.

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

(c) In the event that Borrower proposes to incur Secured Debt in an amount equal to at least \$52,500,000 in connection with the construction, development or redevelopment of the Rego Park I Property, then within 15 days after the Lender shall have received written request from the Borrower of such proposed Secured Debt, the Lender will deliver an agreement (a "Deep Subordination Agreement") executed by Lender to the prospective holder of such proposed Secured Debt (herein called the "Prospective New Lender"), provided that if such Deep Subordination Agreement is unacceptable to the Prospective New Lender, and the Lender and the Prospective New Lender do not execute a Deep Subordination Agreement with such modifications thereto acceptable to the Prospective New Lender and deliver same to Borrower within ten (10) days after the expiration of such 15-day period, then upon at least five (5) Business Days, prior notice and request given by Borrower to Lender, the Lender will execute and deliver to Borrower an instrument releasing the lien of the Mortgages relating to the Rego Park I Property, provided that no Default or Event of Default is then continuing; and provided further that the Lender's obligation to deliver a Deep Subordination Agreement in accordance with this paragraph shall be subject to the satisfaction by the Borrower or the waiver in writing by the Lender of the Subordination Conditions simultaneously with the incurrence of such Secured Debt.

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

(e) At the direction of the Borrower, the Lender hereby agrees to invest the monies on deposit in the Cash Collateral Account only in U.S. Treasury securities, commercial paper rated A1/P1 by any nationally recognized rating agency, money market instruments and corporate debt instruments rated AAA or the equivalent by any nationally recognized rating agency, provided that the maturity of any such securities shall not be a date after the Maturity Date.

ARTICLE VI

SPECIAL PROVISIONS

SECTION 6.01. Condemnation and Casualty. (a) In the event of any condemnation or casualty of any Property in part or in the entirety, the proceeds of such condemnation or casualty, to the extent not retained or otherwise applied by the holder of any mortgage securing Senior Debt on such Property, applied as required pursuant to any Major Lease approved by the Lender at the Property or applied by such mortgagee or in accordance with such Major Lease either to restore the improvements on such Property or to reduce such Senior Debt, shall be immediately deposited by Borrower in the Cash Collateral Account (such proceeds of condemnation so deposited being herein called "Condemnation Proceeds"; such proceeds of casualty so deposited being herein called "Casualty Proceeds"; and Condemnation Proceeds and/or Casualty Proceeds being herein called "Proceeds") and shall constitute additional collateral for the Loan Obligations in accordance with the Cash Collateral Agreement.

(b) Provided that no Default or Event of Default shall have occurred and be continuing, the Borrower shall be entitled to withdraw any Condemnation Proceeds from the Cash Collateral Account for the purpose of acquiring additional real estate assets with the consent of the Lender, which consent shall not be unreasonably withheld, provided that, subject to the Senior Loan Documents, (i) Borrower shall have delivered to Lender an appraisal for such real estate (x) for an amount at least equal to the amount of the Condemnation Proceeds sought to be withdrawn by the Borrower to purchase such real estate and (y) issued by an appraisal company and in form and substance reasonably satisfactory to the Lender; (ii) the Borrower shall have delivered to Lender environmental, engineering and such other studies, reports, documents, title reports, violation searches and other information relating to such real estate as would be generally required by the Lender in accordance with good institutional lending practices, all of which studies, reports, documents and other information shall be in form and substance reasonably satisfactory to the Lender; (iii) the Lender shall be granted a priority lien mortgage on said real estate to further secure the Guaranties (the "Additional Mortgage"); (iv) the Borrower shall have delivered to Lender a paid-up mortgage title insurance policy in favor of Lender, insuring the Additional Mortgage as a second priority mortgage, subject only to the lien of the Senior Loans, on such real estate, subject to no encumbrances or other title exceptions except those title exceptions which Lender reasonably determines are acceptable based on good institutional lending practices; and (v) the Borrower shall have paid all reasonable costs and expenses of the Lender (including reasonable attorneys' fees and expenses) incurred by the Lender in connection with the review of any of the foregoing conditions.

(c) The Borrower shall also have the right to withdraw the Condemnation

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

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

SECTION 6.03. Gross Arrangements. (a) In the event that the Release Price is paid to the Lender on a date on which the Loan, if prepaid in its entirety on such date pursuant to Section 2.03, would require the payment of a Make Whole Premium, then a one-time payment of additional interest shall accrue on the Loan in an amount equal to the Make Whole Premium, if any, that would be due and payable pursuant to Section 2.03 if the Loan were prepaid on such date (assuming for purposes of this Section 6.03 that Section 2.03 permitted partial prepayments), and if the Make Whole Premium were calculated on the maximum principal amount of the Loan that could be paid out of the Release Price after deducting therefrom all interest, default interest and other sums (including the additional interest payable pursuant to this Section 6.03), other than principal, then due and payable on the Loan.

(b) Notwithstanding any provision of this Credit Agreement to the contrary, nothing contained herein shall prohibit the Borrower from (i) making or permitting to be made distributions (including Guaranteed Distributions, as defined in the Gruss Partnership Agreement) required to be made under the Gruss Partnership Agreement, (ii) making or permitting to be made any payments which are required to be made under the Note Guaranty or the Distributions Guaranty (each as defined in the Gruss Partnership Agreement), (iii) providing any Collateral to the Gruss Partners which is required to be provided to the Gruss Partners to meet a Debt Coverage Requirement (as defined in the Gruss Partnership Agreement) pursuant to the Gruss Partnership Agreement (provided that (A) the Borrower shall not grant or permit to be granted to the Gruss Partners any Lien on the last Unit (as defined in the Gruss Partnership Agreement) held by the Lex Store General Partner as general partner and (B) Liens on any of the Properties granted to the Gruss Partners shall be Deeply Subordinated to the liens of the Mortgage and the Collateral Documents, as applicable), (iv) making or permitting to be made any payments as they become due under the 4/7 Redemption Note or the 3/7 Redemption Note (each as defined in the Gruss Partnership Agreement) or (v) otherwise make any payments required to be made by the ALX Partners (as defined in the Gruss Partnership Agreement) or the Lexington Avenue Partnership under the Gruss Partnership Agreement.

SECTION 6.04. Release of Lexington Avenue Property. The Borrower shall have the right, in connection with the development of the Lexington Avenue Property, at its election upon fifteen (15) days' notice to the Lender and provided that there shall not have been an entry of a foreclosure order or judgment with respect to the Mortgage relating to the Lexington Avenue Property, to deposit an amount in cash equal to the Release Price into the Cash Collateral Account, whereupon the Lender shall agree to a full release of the lien of the Mortgage relating to the Lexington Avenue Property.

SECTION 6.05. Exception to Cash Collateral Arrangements for Certain Financings. (a) In the event that the Borrower shall notify the Lender of a proposed financing of one or more of the Financing Properties (but in any event including the Fordham Property) which is proposed to generate gross proceeds (the "Financing Properties Gross Proceeds") equal to or greater than \$110,000,000 (the calculation of which shall be represented by the Chairman of the Board or other officer of the Borrower), then provided that no Default or Event of Default shall have occurred and be continuing, the Lender shall permit the Borrower to effect such financing and, upon at least ten (10) days' prior notice by the Borrower to the Lender of the Borrower's request that the Lender release the lien of the Mortgages on all of the Financing Properties, the Lender, subject to the last clause of Section 6.06(b), upon receipt by the Lender of such documents and other information reasonably requested by the Lender evidencing the proposed financing and the receipt by the Borrower of the Financing Gross Proceeds and upon the deposit of the amount, if any, of such Financing Properties Gross Proceeds (net of all expenses) in excess of \$150,000,000 into the Cash Collateral Account as additional collateral for the Loan Obligations in accordance with

the Cash Collateral Agreement, shall release the lien of the Mortgages on all of the Financing Properties.

(b) In the event that the Borrower shall notify the Lender of a proposed financing of all or any of the Financing Properties excluding the Fordham Property (the "Special Financing Properties") which is proposed to generate gross proceeds (the "Special Financing Gross Proceeds") equal to or greater than \$80,000,000 (the calculation of which shall be certified by the Chairman of the Board or other officer of the Borrower), then provided that no Default or Event of Default shall have occurred and be continuing, the Lender shall permit the Borrower to effect such financing and, upon at least ten (10) days' prior notice by the Borrower to the Lender of the Borrower's request that Lender release the lien of the Mortgages on all of the Special Financing Properties, the Lender, subject to the last clause of Section 6.06(b), upon receipt by the Lender of such documents and other information reasonably requested by the Lender evidencing the proposed financing and receipt by the Borrower of the Special Financing Gross Proceeds and upon the deposit of the amount, if any, of such Special Financing Properties Gross Proceeds (net of all expenses) in excess of \$120,000,000 to the Cash Collateral Account as additional collateral for the Loan Obligations in accordance with the Cash Collateral Agreement, shall release the lien of the Mortgages on all of the Special Financing Properties.

(c) Provided that the Borrower shall deposit into the Cash Collateral Account as additional collateral for the Loan Obligations in accordance with the Cash Collateral Agreement an amount equal to the Rego Release Amount, then, provided that no Default or Event of Default shall have occurred and be continuing, the Lender shall release the lien of the Mortgages on the Rego Park II Property and the Rego Park III Property. The "Rego Release Amount" shall mean \$5,000,000 or, in the event the lien of the Mortgages on any of the Financing Properties shall have been released pursuant to Section 6.05(a) or 6.05(b), \$7,500,000, provided, however, that if, subsequent to the deposit into the Cash Collateral Account of a Rego Release Amount equal to \$5,000,000 in accordance with this Section 6.05(c), the lien of the Mortgages on any of the Financing Properties shall be released pursuant to Section 6.05(a) or 6.05(b), the Borrower shall, simultaneous with any such release of the Financing Properties, deposit an additional \$2,500,000 into the Cash Collateral Account; provided, however, that the Lender shall not be obligated to release the Rego Park II Property and the Rego Park III Property pursuant to this paragraph if the separation of the ownership of the Rego Park I Property from the Rego Park II Property and the Rego Park III Property cause the Rego Park I Property to be in violation of any zoning, parking or other land use law or regulation.

SECTION 6.06. Construction and Development Financing. (a) Provided that no Default or Event of Default shall have occurred and be continuing, and provided that the Subordination Conditions shall have been satisfied, the Lender shall subordinate the lien of the Mortgages relating to each Development Property to any construction or development

loan or loans made to Borrower with respect to such Development Property by an institutional lender, in the principal amount equal to C/D Subordination Amount or any greater amount to the extent that cash equal to the excess of such greater amount over the C/D Subordination Amount is deposited into the Cash Collateral Account. "C/D Subordination Amount" means, with respect to the Kings Plaza Store Property, \$10,000,000, and with respect to the Paramus Property, \$30,000,000 (which sum shall be reduced to \$22,500,000 when the tenant at such Property reimburses the Borrower or the C/D Lender for \$7,500,000 of tenant improvements), provided that (i) the C/D Subordination Amount shall be reduced by any condemnation or casualty proceeds that have been applied to repay Senior Debt as permitted pursuant to Section 6.01 and (ii) the Borrower agrees that the amount of any tenant reimbursement not applied to reduce the construction loan superior to the Loan shall be deposited into the Cash Collateral Account.

(b) In addition to the subordination by the Lender of the lien of the Mortgages with respect to each Development Property pursuant to Section 6.06(a), the Lender shall further agree to Deeply Subordinate its rights under the Loan Documents to the loan of the C/D Lender with respect to each Development Property in an amount equal to the C/D Subordination Amount, provided (i) the Subordination Conditions are satisfied and (ii) the Borrower shall deposit into the Cash Collateral Account an additional sum for such Development Property equal to \$5,000,000 or, in the event the lien of the Mortgages on any of the Financing Properties shall have been released pursuant to Section 6.05(a) or 6.05(b), \$7,500,000, provided, however, that, subsequent to the deposit into the Cash Collateral Account of the Additional Amount equal to \$5,000,000 in accordance with this Section 6.06(b), the Borrower shall, simultaneous with any such release of the Financing Properties, deposit an additional \$2,500,000 into the Cash Collateral Account, payment of which shall be a condition to the release of the Financing Properties in accordance with Section 6.05(a) or 6.05(b).

SECTION 6.07. Release of Cash Collateral Account. Anything contained in this Article VI to the contrary notwithstanding, the Borrower shall have the right, provided that the Lender shall consent in writing, to withdraw monies on deposit in the Cash Collateral Account (excluding monies deposited pursuant to Section 6.01) in excess of \$75,000,000 for any purpose.

SECTION 6.08. Optional Release or Assignment. (a) Notwithstanding the express provisions thereof, wherever it is provided in any of the provisions of this Credit Agreement that the Lender shall release all or any portion of the lien of any of the Mortgages in consideration for the Borrower's deposit of cash into the Cash Collateral Account, the Borrower may, with the prior written consent of the Lender, elect that such release by the Lender be effectuated not as a release but as an assignment of such Mortgage or portion thereof, provided that the Borrower shall prepay the outstanding Loan Obligations in an amount equal to the sum of (i) the amount that would otherwise effectuate such release,

plus (ii) the Make Whole Premium, if any, that would be due and payable pursuant to Section 2.03 (assuming for purposes of this Section 6.08 that Section 2.03 permitted partial prepayments) calculated on the amount specified in the foregoing clause (i), plus (iii) the amount of interest accrued and unpaid on the amount specified in the foregoing clause (i) to the date of such prepayment. The Lender hereby agrees that, in connection with any such election, the Lender shall permit the application of the monies in the Cash Collateral Account toward such prepayment.

(b) The Borrower's right to receive an assignment of Mortgage or portion thereof pursuant to Section 6.08(a) hereof, shall be conditioned upon the satisfaction of the following conditions:

(i) No Default or Event of Default shall be continuing;

(ii) The Borrower and Lender shall execute and deliver such mortgage and/or note splitter or severance agreements, and substitute note(s) and other documents as Lender or Borrower may reasonably request to effectuate the assignment to Borrower of the portion of the Loan Obligations covered by such release; any such assignment by Lender shall be expressly stated to be without representation or warranty by, or recourse, to, Lender;

(iii) The Borrower and the assignee shall agree in writing and the mortgage(s) and note or substitute note so assigned shall state, that such note or substitute note so assigned to the assignee (the "Assigned Note") is secured solely by the mortgage(s) simultaneously being assigned to the assignee, and that no mortgage, guaranty or other security interest or collateral held by Lender (other than such mortgage being assigned to the assignee) shall secure, in any manner, such Assigned Note.

(iv) The Lender, Borrower and the assignee shall execute other instruments or documents as Lender or Borrower may reasonably request to further confirm or assure the intent of the provisions of this Section 6.08(b);

(v) The Borrower shall pay to Lender all reasonably attorneys' fees and expenses incurred by Lender in connection with such assignment of the Assigned Note and the mortgage(s) secured thereby; and

(vi) If the Borrower is entitled under Section 6.04 to obtain a release of the Mortgage on the Lexington Avenue Property, and Borrower seeks to obtain an assignment of that Mortgage pursuant to this Section 6.08, then in addition to satisfying all of the foregoing conditions set forth in this Section 6.08(b), Borrower shall cause the assignee of the Assigned Note to execute and deliver to Lender an

instrument, in form and substance satisfactory to Lender, pursuant to which said assignee assumes all of the obligations of Lender under the Gruss Agreement and agrees to indemnify, defend and hold harmless Lender, its successors and assigns, from and against all claims, liabilities, damages, losses, costs and expenses (including reasonable attorneys' fees and disbursements) asserted against, suffered or incurred by Lender as a result of any claim that such assignee, or any of its successors or assigns, breached or defaulted under any of the obligations of Lender under the Gruss Agreement.

ARTICLE VII

EVENTS OF DEFAULT

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

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

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

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

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

(e) any Loan Party or any of its Subsidiaries shall fail to pay any principal of, premium or interest on or any other amount payable in respect of any Senior Debt or any Subordinated Debt (other than the Debt under the Senior Loan Documents) of such Loan Party or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration,

demand or otherwise), and such failure shall continue after the applicable notice and grace period, if any, specified in the agreement or instrument relating to such Senior Debt or Subordinated Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Senior Debt or any Subordinated Debt (other than the Debt under the Senior Loan Documents) and shall continue after the applicable notice and grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate the maturity of such Senior Debt or Subordinated Debt or otherwise to cause such Senior Debt or Subordinated Debt to mature; or any such Senior Debt or Subordinated Debt shall be declared to be due and payable or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Senior Debt or Subordinated Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(f) any Loan Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Loan Party seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it) that is being diligently contested by it in good faith, either such proceeding shall remain undismitted or unstayed for a period of 60 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or any substantial part of its property) shall occur; or any Loan Party shall take any corporate action to authorize any of the actions set forth above in this subsection (f); provided, however, that no Event of Default shall, in any way, be triggered by application of this clause (f) due to the existence or any continuation of the Bankruptcy Proceeding; or

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

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

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

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

(k) the Lex Store General Partner shall cease to be the general partner of Lexington Avenue Partnership; or

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

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

ARTICLE VIII

MISCELLANEOUS

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

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

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

(i) if to the Borrower, to:

Alexander's, Inc.
31 West 34th Street
New York, New York 10001
Attention: Steven Santora
Facsimile No. (212) 695-4221

(ii) if to the Lender, to:

Vornado Lending Corp.
c/o Vornado Realty Trust
Park 80 West, Plaza II
Saddle Brook, New Jersey 07663
Attention: Chief Financial Officer
Facsimile No.: (201) 587-0600

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

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

SECTION 8.04. Costs, Expenses. (a) The Borrower agrees to pay on demand (i) all reasonable costs and expenses of the Lender in connection with the preparation, execution, delivery, administration, modification and amendment of the Loan Documents (including, without limitation, the reasonable fees and expenses of counsel for the Lender with respect thereto) and (ii) all reasonable costs and expenses of the Lender in

connection with the enforcement of the Loan Documents, whether in any action, suit or litigation, any bankruptcy, insolvency or other similar proceeding affecting creditors' rights generally or otherwise (including, without limitation, the reasonable fees and expenses of counsel for the Lender with respect thereto).

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

(c) In case any action shall be brought against the Lender or any other Indemnified Party in respect of which indemnity may be sought against the Borrower, the Lender or such other Indemnified Party shall promptly notify the Borrower and the Borrower shall assume the defense thereof, including the employment of counsel selected by the Borrower and reasonably satisfactory to the Lender, the payment of all costs and expenses and the right to negotiate and consent to settlement. The failure of the Lender to so notify the Borrower shall not relieve the Borrower of any liability it may have under the foregoing indemnification provisions or from any liability which it may otherwise have to the Lender or

any of the other Indemnified Parties except to the extent that the Borrower incurs actual expenses or suffers actual monetary loss as a result of such failure to give notice. The Lender shall have the right, at its sole option, to employ separate counsel and as long as Borrower is complying with its indemnification obligations hereunder, the fees and disbursements of such separate counsel shall be paid by Lender. The Borrower shall not be liable for any settlement of any such action effected without its consent, but if settled with the Borrower's consent, or if there be a final judgment for the claimant in any such action, the Borrower agrees to indemnify and save harmless the Lender from and against any loss or liability by reason of such settlement or judgment.

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

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

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

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

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

SECTION 8.08 Participations. (a) The Lender may sell participations in [up to one-third of] its rights and obligations under this Credit Agreement (including, without limitation, of its Loan and the Notes held by it) (the purchaser of any rights and obligations being referred to herein as a "Participant"); provided, however, that (i) the obligations of the Borrower and the Lender under this Credit Agreement and the other Loan Documents shall

remain unchanged, (ii) the Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower shall continue to deliver all notices, communications and payments solely to the Lender and any such notice, communication or payment shall be valid and effective for all purposes hereunder notwithstanding any such sale of participations. Upon the sale of any participation permitted hereunder, the Borrower shall cooperate with such reasonable requests of the Lender, at the sole expense of the Lender, to sever and split the note issued hereunder among the Lender and any Participants.

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

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

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

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

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

SECTION 8.12. Jurisdiction. The Borrower irrevocably appoints each and every owner, partner and/or officer of the Borrower as its attorneys upon whom may be served, by regular or certified mail at the address set forth herein, any notice, process or pleading in any action or proceeding against it arising out of or in connection with this Credit Agreement or any other Loan Document; and the Borrower hereby consents that any action or proceeding against it may be commenced and maintained in any court within the State of New Jersey or the State of New York or in the United States District Court for the District of New Jersey or the United States District Court for the Southern District of New York by service of process on any such owner, partner and/or officer; and the Borrower agrees that the courts of the State of New Jersey and the courts for the State of New York and the courts for the United States District Court for the District of New Jersey and the courts for the United States District Court for the Southern District of New York shall have jurisdiction with respect to the subject matter hereof and the person of the Borrower and all collateral securing the obligations of the Borrower. The Borrower agrees not to assert any defense to any proceeding initiated by the Lender in such court based upon improper venue or inconvenient forum. The foregoing shall not limit, restrict or otherwise affect the right of the Borrower or the Lender to commence any action on this Credit Agreement or any other Loan Document in any other courts having jurisdiction.

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

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

ALEXANDER'S, INC.

By /s/ Stephen Mann

Name: Stephen Mann
Title: Chairman

VORNADO LENDING CORP.

By /s/ Joseph Macnow

Name: Joseph Macnow
Title: Vice President

PROMISSORY NOTE

\$45,000,000.00

New York, New York

March 15, 1995

FOR VALUE RECEIVED, the undersigned, ALEXANDER'S, INC., a Delaware corporation (herein sometimes referred to as "Maker" or the "undersigned"), hereby promises to pay to the order of VORNADO LENDING CORP. ("LENDER"), the principal sum of Forty-Five Million and 0/100 Dollars (\$45,000,000.00), or such lesser amount as shall have been advanced by Lender under the Credit Agreement (as hereinafter defined) (the "LOAN"), in United States Dollars, together with interest including without limitation additional interest payable pursuant to Section 2.04(b) and 6.03 of the Credit Agreement thereon as provided in that certain Credit Agreement, dated as of March 15, 1995, by and between Maker and Lender (the "CREDIT AGREEMENT").

1. CERTAIN DEFINED TERMS. Terms used herein and not otherwise defined have the meanings ascribed to such terms in the Credit Agreement.

2. PAYMENT OF PRINCIPAL.

The entire unpaid principal amount hereof, together with accrued and unpaid interest thereon at the Interest Rate to but excluding March 15, 1998 (the "Maturity Date") and all other amounts payable hereunder shall be due and payable on the Maturity Date.

3. APPLICATION OF PAYMENTS. Except as otherwise specified herein, each payment or prepayment, if any, made under this Note shall be applied to pay late charges, accrued and unpaid interest, principal, escrows (if any), and any other fees, costs and expenses which the undersigned is obligated to pay under this Note, in such order as Lender may elect from time to time in its sole discretion.

4. TENDER OF PAYMENT.

All payments on this Note are payable on or before 11:00 a.m. on the due date thereof, to the account of Vornado Realty Trust at National Westminster Bank (Account No. 231313517), or such other account or place as Lender shall designate in writing from time to time and shall be credited on the date the funds become available lawful money of the United States.

All sums payable to Lender which are due on a day that is not a Business Day shall be made on the next succeeding Business Day and such extended time shall be included in the computation of interest. For purposes of this paragraph, "Business Day" shall mean any Monday, Tuesday, Wednesday, Thursday or Friday on which banks in New York are not authorized or required by law to be closed.

5. PREPAYMENT.

The principal amount of this Note may not be prepaid except in accordance with and subject to the terms and conditions of the Credit Agreement.

6. SECURITY FOR THE NOTE.

6.1. This Note is executed and delivered in accordance with a commercial transaction described in the Credit Agreement. As security for the payment of the monies owing under this Note, the undersigned has delivered or has caused to be delivered to Lender, inter alia, the Collateral Documents referred to in the Credit Agreement.

6.2. The undersigned hereby grants to Lender a continuing security interest in all property of the undersigned, now or hereafter in the possession of Lender or any Affiliate (as defined below) in any capacity whatsoever, including, but not limited to, any balance or share of any deposit, trust or agency account, as security for the payment of this Note and any other liabilities of the undersigned to Lender, which security interest shall be enforceable and subject to all the provisions of this Note, as if such property were specifically pledged hereunder and the proceeds of such property may be applied at any time and without notice to any of the undersigned's liabilities.

7. ADDITIONAL PAYMENTS; INTEREST; LATE CHARGE; DEFAULT RATE.

In addition to the other payments provided for above, the undersigned promises to pay on demand any interest and any other monies required to be paid or advanced by the undersigned or by any other party obligated under any of the Loan Documents (other than the Lender) or paid or advanced on behalf of the undersigned or such party by Lender pursuant to the terms of the Credit Agreement, the Mortgage or any other Loan Document, which obligation shall be continuing and shall survive any judgment entered with respect to this Note or any foreclosure of the Mortgage. This Note shall evidence, and the Mortgage and other Collateral Documents shall secure the payment of, all such sums so advanced or paid.

8. REMEDIES. Upon the occurrence and during the continuance of an Event of Default, Lender may exercise any right, power or remedy permitted by law or as set forth herein or in the Credit Agreement, the Collateral Documents or any other Loan Document including, without limitation, the right to declare the entire unpaid principal amount hereof and all interest accrued hereon, and all other sums secured by the Collateral Documents or any other Loan Document to be, and such principal, interest and other sums shall thereupon become, forthwith due and payable.

9. MISCELLANEOUS.

9.1. REMEDIES CUMULATIVE. The rights and remedies of Lender as provided herein and in any other Loan Document shall be cumulative and concurrent, may be pursued separately, successively or together against the undersigned or the Mortgaged Premises (as

defined in the Mortgage) or any other collateral security for payment of amounts due hereunder, or any guarantor thereof, at the sole discretion of Lender, may be exercised as often as occasion therefor shall arise, and shall be in addition to any other rights or remedies conferred upon Lender at law or in equity. The failure, at any one or more times, of Lender to exercise any such right or remedy shall in no event be construed as a waiver or release thereof. Lender shall have the right to take any action it deems appropriate without the necessity of resorting to any collateral securing this Note.

9.2. INTEGRATION. This Note and the other Loan Documents constitute the sole agreement of the parties with respect to the transaction contemplated hereby and supersede all oral negotiations and prior writings with respect thereto.

9.3. ATTORNEYS' FEES AND EXPENSES. If Lender retains the services of counsel by reason of a default or an Event of Default hereunder or under any of the other Loan Documents, or on account of any matter involving this Note, or for examination of matters subject to Lender's approval under the Loan Documents, all costs of suit and all reasonable attorneys' fees and such other reasonable expenses so incurred by Lender shall forthwith, on demand, become due and payable and shall be evidenced hereby.

9.4. NO IMPLIED WAIVER. Lender shall not be deemed to have modified or waived any of its rights or remedies hereunder unless such modification or waiver is in writing and signed by Lender, and then only to the extent specifically set forth therein. A waiver in one event shall not be construed as continuing or as a waiver of or bar to such right or remedy on a subsequent event.

9.5. WAIVER. The undersigned waives demand, notice, presentment, protest, demand for payment, notice of dishonor, notice of protest and diligence of collection of this Note. The undersigned consents to any and all extensions of time, renewals, waivers, or modifications that may be granted by Lender with respect to the payment or other provisions of this Note, and to the release of any collateral, with or without substitution. The undersigned agrees that makers, endorsers, guarantors and sureties may be added or released without notice and without affecting the undersigned's liability hereunder. The liability of the undersigned shall not be affected by the failure of Lender to perfect or otherwise obtain or maintain the priority or validity of any security interest in any collateral. The liability of the undersigned shall be absolute and unconditional and without regard to the liability of any other party hereto.

9.6. NO USURIOUS AMOUNTS. Anything herein contained to the contrary notwithstanding, the undersigned does not agree and shall not be obligated to pay interest hereunder at a rate which is in excess of the maximum rate permitted by law. If by the terms of this Note, the undersigned is at any time required to pay interest at a rate in excess of such maximum rate, the rate of interest under this Note shall be deemed to be immediately reduced to such maximum legal rate and the portion of all prior interest payments in excess of such maximum legal rate shall be applied to and shall be deemed to have been payments in reduction of the outstanding principal balance. The undersigned agrees that in determining

whether or not any interest payable under this Note exceeds the highest rate permitted by law, any non-principal payment, including without limitation, late charges, shall be deemed to the extent permitted by law to be an expense, fee, premium or penalty rather than interest.

9.7. **PARTIAL INVALIDITY.** The invalidity or unenforceability of any one or more provisions of this Note shall not render any other provision invalid or unenforceable.

9.8. **BINDING EFFECT.** The covenants, conditions, waivers, releases and agreements contained in this Note shall bind, and the benefits thereof shall inure to, the parties hereto and their respective heirs, executors, administrators, successors and assigns; provided, however, that this Note cannot be assigned by the undersigned without the prior written consent of Lender, and any such assignment or attempted assignment by the undersigned shall be void and of no effect with respect to Lender.

9.9. **MODIFICATIONS.** This Note may not be supplemented, extended, modified or terminated except by an agreement in writing signed by the party against whom enforcement of any such waiver, change, modification or discharge is sought.

9.10. **AFFILIATE.** As used herein, "AFFILIATE" shall mean First Fidelity Bancorporation and any of its direct and indirect affiliates and subsidiaries.

9.11. **JURISDICTION.** The undersigned irrevocably appoints each and every owner, partner and/or officer of the undersigned as its attorneys upon whom may be served, by regular or certified mail at the address set forth below, any notice, process or pleading in any action or proceeding against it arising out of or in connection with this Note or any other Loan Document; and the undersigned hereby consents that any action or proceeding against it be commenced and maintained in any court within the State of New York or the State of New Jersey or in the United States District Court for the Southern District of New York or the United States District Court for the Southern District of New Jersey by service of process on any such owner, partner and/or officer; and the undersigned agrees that the courts of the State of New York and the State of New Jersey and the United States District Court for the Southern District of New York and the United States District Court for the District of New Jersey shall have jurisdiction with respect to the subject matter hereof and the person of the undersigned. The undersigned agrees not to assert any defense to any action or proceeding initiated by Lender in such courts based upon improper venue or inconvenient forum. The foregoing shall not restrict or otherwise affect the right of the Lender to commence any action or proceeding on this Note or any other Loan Document in any other court or courts having jurisdiction.

9.12. **NOTICES.** All notices and communications relating to this Note shall be in writing and shall be given in the manner provided in the Credit Agreement.

9.13. **GOVERNING LAW.** This Note shall be governed by and construed in accordance with the substantive laws of the State of New York.

9.14. WAIVER OF JURY TRIAL. THE UNDERSIGNED AND LENDER AGREE THAT ANY SUIT, ACTION OR PROCEEDING, WHETHER CLAIM OR COUNTERCLAIM, BROUGHT BY LENDER OR THE UNDERSIGNED, ON OR WITH RESPECT TO THIS NOTE OR ANY OTHER LOAN DOCUMENT OR THE DEALINGS OF THE PARTIES WITH RESPECT HERETO OR THERETO, SHALL BE TRIED ONLY BY A COURT AND NOT BY A JURY. LENDER AND THE UNDERSIGNED EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. FURTHER, EACH OF THE UNDERSIGNED AND LENDER WAIVE ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER, IN ANY SUCH SUIT, ACTION OR PROCEEDING, ANY SPECIAL, EXEMPLARY, PUNITIVE, CONSEQUENTIAL OR OTHER DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES, BUT THE FOREGOING SHALL NOT BE CONSTRUED TO PROHIBIT, RESTRICT OR OTHERWISE IMPAIR THE EXERCISE OF ANY RIGHTS OR REMEDIES EXPRESSLY PROVIDED TO ANY PARTY IN ANY OF THE LOAN DOCUMENTS. THE UNDERSIGNED ACKNOWLEDGES AND AGREES THAT THIS SECTION IS A SPECIFIC AND MATERIAL ASPECT OF THIS NOTE AND THAT LENDER WOULD NOT EXTEND CREDIT TO THE UNDERSIGNED IF THE WAIVERS SET FORTH IN THIS SECTION WERE NOT A PART OF THIS NOTE.

9.15. REGISTERED FORM. This Note may be transferred only through its surrender to Maker for the issuance of a new note or notes to a new holder or holders.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, has duly executed and delivered this Note as of the day and year first above written.

ATTEST: ALEXANDER'S, INC. (a Delaware corporation)

By: /s/ Stephen Mann

Name: Stephen Mann

Title: Chairman

SUBORDINATION AND INTERCREDITOR AGREEMENT

SUBORDINATION AND INTERCREDITOR AGREEMENT, dated as of March 15, 1995, made by and among VORNADO LENDING CORP., a New Jersey corporation,, having an office at Park 80 West, Plaza II, Saddle Brook, New Jersey 07663 ("Subordinate Mortgagee"); and VORNADO REALTY TRUST, a Maryland real estate investment trust, having an office at Park 80 West, Plaza II, Saddle Brook, New Jersey ("Vornado"); in favor of FIRST FIDELITY BANK, NATIONAL ASSOCIATION, a national banking association having an office at 570 Broad Street, B55003, Newark, New Jersey 07102 ("Senior Mortgagee").

R E C I T A L S :

A. Borrower has executed a note dated as of the date hereof, in the original principal amount of Thirty Million Dollars (\$30,000,000.00), payable to the order of Senior Mortgagee (the "First Senior Note") and a note dated as of the date hereof, in the original principal amount of One Hundred Dollars (\$100.00), payable to the order of Senior Mortgagee (the "Second Senior Note"). The First Senior Note and the Second Senior Note (collectively, the "Senior Notes") together evidence Senior Mortgagee's loan to Borrower (the "Senior Loan") in the aggregate principal amount of \$30,000,100.00, made pursuant to the terms of the Credit Agreement dated as of the date hereof, between Borrower and Senior Mortgagee (the "FF Credit Agreement"). All capitalized terms used herein and not specifically defined herein shall have the respective meanings assigned to those terms in the FF Credit Agreement or the Senior

Notes. The term "Senior Loan Documents," as used herein, shall have the same meaning assigned to the term "Loan Documents" in the FF Credit Agreement. All principal, interest, default interest, late charges, Senior Mortgagee's attorneys' fees and disbursements and other amounts payable or which will or may become payable by Borrower under the Senior Notes and/or the other Senior Loan Documents (including, without limitation, interest accruing on the outstanding principal amount of the Senior Notes after the date of any filing by or against Borrower or any Guarantor (as hereinafter defined) of any petition in bankruptcy or the commencement by or against Borrower or any Guarantor of any bankruptcy, insolvency or similar proceeding) are herein collectively referred to as the "Senior Debt."

B. In order to induce Senior Mortgagee to make the Senior Loan to Borrower, (i) Borrower and Alexander's Department Store of Lexington Avenue, Inc. ("Alex-Lex") (collectively, the "Pledgors") have executed and delivered to Senior Mortgagee a certain Pledge Agreement of even date herewith (the "Senior Pledge Agreement"), pursuant to which, inter alia, (x) Borrower, as additional security for the Senior Debt, has pledged to Senior Mortgagee and granted to it a first priority lien and security interest in certain shares of capital stock owned by Borrower, as more particularly described in the Senior Pledge Agreement (the "Stock"), and (y) Alex-Lex, as additional security for the Senior Debt, has pledged to Senior Mortgagee and granted to it a first priority lien and security interest in certain general and limited partnership interests owned by Alex-Lex, as more particularly described in the Senior Pledge

Agreement (the "Partnership Interests"); and the Stock, Partnership Interests and other property, collateral and proceeds thereof pledged pursuant to the Senior Pledge Agreement are herein collectively called the "Pledged Collateral"; (ii) Borrower, Alexander's of Fordham Road, Inc. and Alexander's Department Stores of New Jersey, Inc., respectively, as mortgagors, have executed and delivered to Senior Mortgagee, as mortgagee, the mortgages described in Schedule 1 attached hereto and made a part hereof, each in the original principal amount of \$30,000,100.00, securing, inter alia, the Senior Notes and covering, inter alia, the lands and premises described in Schedule 1A attached hereto; and (iii) Seven Thirty One Limited Partnership (the "731 Mortgagor"), as mortgagor, has executed and delivered to Senior Mortgagee, as mortgagee, a mortgage described in Schedule 2 attached hereto and made a part hereof, in the original principal amount of \$30,000,000.00, securing, inter alia, the First Senior Note and covering, inter alia, the lands described in Schedule 2A attached hereto (the mortgages described in said Schedule 1 and Schedule 2 are herein collectively referred to as the "Senior Mortgages"). The Senior Mortgages, the Senior Pledge Agreement and certain of the other Senior Loan Documents secure the Senior Debt. Borrower and Guarantors are sometimes herein collectively referred to as the "Obligors" and individually as an "Obligor". All of the real and personal property and other property, rights and/or interests covered by the Senior Mortgages are herein sometimes collectively called the "Properties", and with respect to any one Senior Mortgage, are referred to as a "Property".

C. Borrower has executed one or more notes of even date herewith (collectively the "Subordinate Note"), in the principal amount of Forty-Five Million Dollars (\$45,000,000.00), payable to the order of Subordinate Mortgagee, evidencing Subordinate Mortgagee's loan to Borrower (the "Subordinate Loan") in the same principal amount, made pursuant to the terms of the Credit Agreement dated as of the date hereof, between Borrower and Subordinate Mortgagee (the "Vornado Credit Agreement"). In order to induce Subordinate Mortgagee to make the Subordinate Loan to Borrower, (i) Pledgors have executed and delivered to Subordinate Mortgagee a Pledge Agreement of even date herewith (the "Subordinate Pledge Agreement"), pursuant to which, inter alia, Pledgors, as additional security for the Subordinate Debt, have pledged to Subordinate Mortgagee and granted to it a second priority lien and security interest in the Pledged Collateral, subject and subordinate to the lien, rights and interests granted to Senior Mortgage under the Senior Pledge Agreement; (ii) Borrower, as mortgagor, has executed and delivered to Subordinate Mortgagee, as mortgagee, the mortgages described in Schedule 3 attached hereto and made a part hereof, each in the principal amount of \$45,000,000.00, covering the same Properties that are covered by the Senior Mortgages listed on Schedule 1; (iv) the 731 Mortgagor, as mortgagor, has executed and delivered to Subordinate Mortgagee, as mortgagee, the mortgage described in Schedule 4 attached hereto and made a part hereof, in the original principal amount of \$45,000,000.00 (provided that such mortgage is stated to secure a total aggregate indebtedness of principal, interest and

all other sums not exceeding the amount, if any, by which \$75,000,000.00 exceeds the amount of the Senior Debt from time to time outstanding), covering the same Property that is covered by the Senior Mortgage under which the 731 Mortgagor is the mortgagor (the mortgages described in said Schedule 3 and Schedule 4 are herein collectively referred to as the "Subordinate Mortgages").

D. All principal, interest, default interest, late charges and other amounts payable or which will or may become payable by Borrower under, or which is secured by the Subordinate Note, the Subordinate Mortgages, the Subordinate Assignments (as hereinafter defined), the Subordinate Pledge Agreement, the Vornado Credit Agreement and/or any other documents now or hereafter evidencing or securing, in whole or in part, the Subordinate Loan (collectively, the "Subordinate Loan Documents"), including, without limitation, interest accruing on the outstanding principal amount of the Subordinate Note after the date of any filing by or against any Obligor of any petition in bankruptcy or the commencement by or against any Obligor of any bankruptcy, insolvency or similar proceeding, are herein collectively referred to as the "Subordinate Debt".

E. All sums and indebtedness of any kind or nature whatsoever, (excluding Permitted Fees (as hereinafter defined), which is now owing or may hereafter become owing by any Obligor or any Affiliate of any Obligor to Subordinate Mortgagee or any Affiliate of Subordinate Mortgagee are herein collectively referred to as the "Subordinate Other Debt". Without limiting the

generality of the foregoing definition of "Subordinate Other Debt", the same shall be deemed to include any debt or indebtedness now or at any time hereafter owing by any Obligor or any Affiliate of any Obligor, which debt or indebtedness or the right to payment of all or any part thereof is acquired by Subordinate Mortgagee or any Affiliate thereof from any third party by assignment or otherwise. The Subordinate Debt and the Subordinate Other Debt are herein collectively called the "Subordinate Indebtedness". The Subordinate Loan Documents and all other documents at any time and from time to time evidencing or securing, in whole or in part, any of the Subordinate Indebtedness are herein sometimes collectively called the "Subordinate Documents".

F. To further secure the Senior Debt, (i) Borrower, as assignor, has executed and delivered to Senior Mortgagee, as assignee, Assignments of Leases and Rents, each of even date herewith, covering each of the Properties described on Schedule 1A attached hereto; and (ii) the 731 Guarantor, as assignor, has executed and delivered to Senior Mortgagee, as assignee, an Assignment of Leases and Rents of even date herewith, covering the Property described in Schedule 2A attached hereto (collectively, the "Senior Assignments"). To further secure the Subordinate Debt, (i) Borrower, as assignor, has executed and delivered to Subordinate Mortgagee, as assignee, Assignments of Leases and Rents, each of even date herewith, covering each of the Properties described on Schedule 1A attached hereto, and (ii) the 731 Guarantor, as assignor, has executed and delivered to Subordinate Mortgagee, as assignee, an Assignment of Leases and Rents of even

date herewith, covering the Property described in Schedule 2A attached hereto (collectively, the "Subordinate Assignments").

G. Borrower, Senior Mortgagee and Subordinate Mortgagee have entered into a Cash Collateral Account Pledge and Assignment Agreement of even date herewith (the "Cash Collateral Agreement") pursuant to which inter alia, Borrower and Guarantors have established a cash collateral account with Senior Mortgagee (the "Cash Collateral Account") and granted (i) to Senior Mortgagee a first priority security interest in said account to further secure the Senior Debt, and (ii) to Subordinate Mortgagee a second priority security interest in said account to further secure the Subordinate Debt. The Cash Collateral Agreement constitutes a Senior Loan Document as well as a Subordinate Loan Document.

H. With respect to each Property covered by a Senior Mortgage and a Subordinate Mortgage, the Subordinate Mortgage on such Property will be recorded immediately after the recording of, and will be and remain subordinate to the Senior Mortgage on such Property, all in accordance with the terms and conditions of this Agreement. With respect to each Property covered by a Senior Assignment and a Subordinate Assignment, the Subordinate Assignment on such Property will be recorded immediately after the recording of, and will be and remain subordinate to the Senior Assignment on such Property, all in accordance with the terms and conditions of this Agreement. Each reference in this Agreement to any one or more Senior Mortgage(s) shall be deemed to include the Senior Assignment(s) covering the Property or Properties covered by such

Senior Mortgage(s). Similarly, each reference in this Agreement to any one or more Subordinate Mortgage(s) shall be deemed to include the Subordinate Assignment(s) covering the Property or Properties covered by such Subordinate Mortgage(s).

I. Subordinate Mortgagee has agreed to subordinate (i) the liens of each of the Subordinate Mortgages, the Subordinate Assignments, the Subordinate Pledge Agreement and all other Subordinate Documents, and (ii) Subordinate Mortgagee's right to payment of the Subordinate Indebtedness to (x) the liens created by the Senior Loan Documents, including, without limitation, the liens of each of the Senior Mortgages, the Senior Assignments and the Senior Pledge Agreement and (y) Senior Mortgagee's right to payment of the Senior Debt, all upon the terms, provisions and conditions hereinafter set forth. Subordinate Mortgagee has also agreed to subordinate its lien on and security interest in the Cash Collateral Account to Senior Mortgagee's lien on and security interest in the Cash Collateral Account upon the terms and conditions set forth herein and in the Cash Collateral Agreement.

NOW, THEREFORE, in consideration of the premises, and to fulfill Subordinate Mortgagee's covenants given to induce Senior Mortgagee to make the Senior Loan, the parties hereto agree as follows:

1. Subordination of the Subordinate Mortgages and the other Subordinate Documents.

(a) The parties hereto agree that (i) the Subordinate Indebtedness is and shall be and remain subordinated in right of

payment, to the extent and in the manner provided in this Agreement, to the prior payment in full of the Senior Debt; and (ii) each Subordinate Mortgage and the lien created thereby (including, without limitation, any separate lien created thereby on personal property and, with respect to any Subordinate Mortgage which covers any leasehold interest of the mortgagor thereunder, any lien created thereby on any fee title in and to any land or premises which the mortgagor under such Subordinate Mortgage may hereafter acquire), each of the Subordinate Assignments and the lien created thereby, the Subordinate Pledge Agreement and the lien created thereby, the Subordinate Mortgagee's lien on and security interest in the Cash Collateral Account and all other liens, rights and interests now or at any time hereafter created by any of the Subordinate Documents are and at all times shall be junior, subject and subordinate in all respects to each of the Senior Mortgages and the lien created thereunder which covers all or any part of any property covered by any such Subordinate Mortgage (including, without limitation, any separate lien created by such Senior Mortgage on personal property and, with respect to any Senior Mortgage which covers any leasehold interest of the mortgagor thereunder, any lien created thereby on any fee title in and to any land or premises which the mortgagor under such Senior Mortgage may hereafter acquire), each of the Senior Assignments and the liens created thereby, the Senior Pledge Agreement and the lien created thereby and the Senior Mortgagee's lien on and security interest in the Cash Collateral Account, as well as to all of the terms, covenants and conditions contained in the Senior Loan Documents, as

any of the same may be extended, amended or modified from time to time, subject to the provisions of subparagraph 1(b) below. For all purposes of this Agreement, the term "Senior Debt" shall be deemed to also include any and all amounts that may be advanced from time to time by Senior Mortgagee to cure any default or defaults by any Obligor under any of the Senior Mortgages, the Senior Pledge Agreement, the Senior Assignments or any of the other Senior Loan Documents (such advances herein called "Protective Advances") including, without limitation, any and all amounts which may hereafter be advanced from time to time by Senior Mortgagee (x) to pay real estate taxes, assessments, water and sewer rents, other governmental charges and/or insurance premiums after default by such mortgagor in paying any of the same as and when required pursuant to the terms of the applicable Senior Mortgage, or (y) otherwise to protect or further secure the lien created by any of the Senior Loan Documents.

(b) Notwithstanding anything herein contained to the contrary, the term "Senior Debt" shall not include, and the liens created by the Subordinate Mortgages and the other Subordinate Loan Documents shall not be subordinate as to lien or payment rights to, any increase in the Senior Debt as a result of any amendment to any of the Senior Loan Documents which (i) increases the applicable interest rate or default interest rate payable on the principal amount of the Senior Notes above the applicable interest rate that would have been in effect under the Senior Loan Documents but for such modification, or (ii) increases the principal amount of the

Senior Debt except by reason of any Protective Advances made by Senior Mortgagee.

2. Restriction on the Exercise of Subordinate Mortgagee's Remedies.

Unless and until the Senior Debt shall have been paid in full, Subordinate Mortgagee shall not commence any action to foreclose the Subordinate Pledge Agreement or any Subordinate Mortgage or otherwise exercise any of its remedies pursuant to or in connection with any of the Subordinate Documents, regardless of whether any default by any party thereunder has occurred. Without limiting the generality of the foregoing restrictions on the exercise of the remedies of Subordinate Mortgagee, until the Senior Debt shall have been paid in full, Subordinate Mortgagee shall not request, seek or obtain the appointment of a receiver for any Property, it being understood and agreed that only Senior Mortgagee may request or obtain the appointment of a receiver for any Property. Subordinate Mortgagee will not oppose or do anything to hinder, delay or interfere with any application or request made by Senior Mortgagee to obtain a receiver for any Property or any other action or act made or taken by Senior Mortgagee to enforce any of its rights and remedies under or pursuant to any of the Senior Mortgages or any of the other Senior Loan Documents.

3. Permitted Payments.

(a) Until the Senior Debt has been paid in full, and regardless of whether any default shall have occurred under any of the Subordinate Documents, Subordinate Mortgagee shall not take, accept, receive, accelerate, demand or institute any proceeding to

enforce (including, without limitation, the making of an application to any court for the appointment of a receiver), directly or indirectly, in any manner, any payment, prepayment or additional security of, for or on account of all or any part of the Subordinate Indebtedness, except as expressly provided in subparagraph 3(c) below. The foregoing shall not prohibit or restrict the making of any payments of Permitted Fees due and becoming due and payable to Subordinate Mortgagee or any Affiliate thereof. Permitted Fees shall not be deemed to be a part of the Subordinate Indebtedness.

(b) Subordinate Mortgagee will not cause or permit any Affiliate of Subordinate Mortgagee to do anything to violate the provision of subparagraph 3(a) above or any of the other terms, covenants or conditions of this Agreement applicable to Subordinate Mortgagee.

(c) Notwithstanding the provisions of subparagraph 3(a) above, as long as (i) no Event of Default under the FF Credit Agreement or any Senior Loan Document shall have occurred and be continuing, and (ii) all accrued interest and other amounts due and payable pursuant to the Senior Note and/or the other Senior Loan Documents shall have been duly paid in accordance with the terms of the Senior Note and the other Senior Loan Documents to and including the date of the permitted payment to Subordinate Mortgagee as described below in this sentence, then Subordinate Mortgagee may accept and retain payment of the accrued and unpaid interest that is then due and payable under the Subordinate Note.

If Subordinate Mortgagee receives any payment from any Obligor or other Loan Party in violation of any of the provisions of this paragraph 3, then Subordinate Mortgagee shall deliver such payment to Senior Mortgagee not later than the second Business Day following Subordinate Mortgagee's receipt thereof, in accordance with the provisions of Paragraph 12 hereof. Nothing contained in this Paragraph 3 shall be deemed to modify or release the restrictions contained in Paragraph 2 hereof.

4. Default under Senior Loan. The occurrence of a Default or Event of Default by any Obligor under any of the Senior Loan Documents shall, without limiting the provisions of Paragraph 2 hereof, impose upon Obligors and Subordinate Mortgagee the obligations and restrictions, and shall result in the occurrence of the events, specified in this Agreement but shall impose no duty on Senior Mortgagee to take any action against any Obligor or to pursue any remedies against any Obligor under any of the Senior Loan Documents or otherwise. Subordinate Mortgagee agrees that it will not object to or otherwise hinder, delay, obstruct or interfere with the exercise by Senior Mortgagee of any of its remedies under any of the Senior Loan Documents following a Default or Event of Default by any Obligor thereunder.

5. No Prior Liens. As long as the Senior Debt or any part thereof shall remain unpaid, Subordinate Mortgagee shall not acquire by subrogation, contract, purchase, assignment, transfer or otherwise any lien upon or other estate, right or interest (including, without limitation, an interest as a participant with

another party or parties in any such lien, estate, right or interest) in any Property (including, without limitation, any such lien, estate, right or interest which may arise with respect to real estate taxes, assessments or other governmental charges) or any rents or revenues therefrom or any other property encumbered by any of the Senior Loan Documents, which lien, estate, right or interest is or may be prior in right to or on parity with any of the Senior Mortgages or any of the other Senior Loan Documents or any extension, consolidation, modification or supplement thereto (subject to the provisions of paragraph 1(b) hereof). Notwithstanding the foregoing, Subordinate Mortgagee may hereafter acquire by assignment the mortgagee's interest in any mortgage on any property (an "Acquired Mortgage"), the lien of which mortgage, immediately prior to such assignment, is senior or junior to the lien of any Senior Mortgage; provided, however, that upon the assignment of such mortgagee's interest to Subordinate Mortgagee, (i) said Acquired Mortgage and the lien created thereby, (ii) any assignment of rents and/or leases and all other documents further evidencing or securing the indebtedness secured by such Acquired Mortgage, and (iii) all of the indebtedness secured by said Acquired Mortgage, assignment of rents and/or leases and/or such other documents and the note(s) or obligations secured thereby (collectively, the "Acquired Mortgage Documents") shall all be and become subject and subordinate, in all respects, to the Senior Debt, the Senior Mortgage and Senior Assignment on said Property and all of the other Senior Loan Documents, and to all amendments, modifications and extensions thereof; and upon Subordinate

Mortgagee's or its Affiliate's acquiring or otherwise succeeding to the interest of the mortgagee under any Acquired Mortgage Documents, the same shall be deemed to be and become additional Subordinate Documents and the indebtedness secured by the Acquired Mortgage Documents shall be deemed to be and become Subordinate Indebtedness for all purposes of this Agreement, and, accordingly, the Acquired Mortgage Documents and the enforcement of the rights and remedies of the holder thereof shall be subject to the same restrictions, limitations and prohibitions imposed in this Agreement on the enforcement of the rights and remedies of Subordinate Mortgagee under the Subordinate Documents. The subordination of the Acquired Mortgage Documents referred to in the foregoing provisions of this paragraph shall occur automatically upon Subordinate Mortgagee's (or its Affiliate's) acquiring or otherwise succeeding to the interest of the mortgagee under any of the Acquired Mortgage Documents, without the necessity for the execution of any further instrument or agreement; nevertheless, within ten (10) days after written notice and demand given by Senior Mortgagee, Subordinate Mortgagee will execute such documents in recordable form as Senior Mortgagee may reasonably request to confirm such subordination of the Acquired Mortgage Documents and the indebtedness secured thereby. Subordinate Mortgagee will give prompt notice to Senior Mortgagee of any acquisition by Subordinate Mortgagee of any Acquired Mortgage.

6. Intentionally Omitted.

7. Casualty; Condemnation.

7.1 Subordinate Mortgagee hereby assigns and transfers unto Senior Mortgagee, such assignment and transfer to be effective until payment in full of the Senior Debt:

(a) all of Subordinate Mortgagee's right, title, interest or claim, if any, in and to the proceeds of all policies of insurance covering any one or more of the Properties for application upon the indebtedness secured by or other disposition thereof in accordance with the terms, conditions and provisions of the Senior Mortgages; and

(b) all of Subordinate Mortgagee's right, title, interest or claim, if any, in and to all awards or other compensation made for any taking or condemnation or all or any part of any Property or Properties, to be applied upon the indebtedness secured by or disposed of in accordance with the terms, conditions and provisions of the Senior Loan Documents;

provided, however, that Subordinate Mortgagee does not, by reason of the foregoing provisions of this Paragraph 7.1, waive any rights or claims against Senior Mortgagee arising out of the misuse or mishandling, if any, of such funds which shall have been actually received by Senior Mortgagee.

7.2 In the event that, following any such application or disposition of such insurance proceeds, condemnation awards and/or other compensation, the Senior Debt is thereby paid in full, any balance of such proceeds, award or other compensation remains, then

Subordinate Mortgagee shall have such right to payment thereto, as it would have in the absence of Paragraph 7.1 above.

7.3 If Senior Mortgagee, in accordance with the terms, conditions, and provisions of any Senior Mortgage, shall at any time release to any Obligor any of the insurance proceeds, condemnation awards or other compensation described in clauses (a) and (b) of Paragraph 7.1 above for the purpose of repair or restoration of the Property covered by such Senior Mortgage, such release shall not be deemed to be an additional advance under such Senior Mortgage or any other Senior Loan Document.

8. Approvals and Consents. Without limiting any other term provision or condition of this Subordination Agreement, all rights, elections, approvals and consents exercised, given or made by Senior Mortgagee under any of the Senior Loan Documents which may also be exercised, given or made by Subordinate Mortgagee under any of the Subordinate Documents, including, without limitation, the failure of Senior Mortgagee to take any action which might otherwise be taken by it, shall be deemed automatically and irrevocably agreed to by Subordinate Mortgagee on the terms and conditions specified by Senior Mortgagee, as if Subordinate Mortgagee had in fact exercised such right, made such election, given such approval or consent or omitted to take such action under the specific terms of the Subordinate Documents. In all events, Subordinate Mortgagee will execute such written confirmations, including, without limitation, non-disturbance and attornment agreements with tenant(s) of any Property, as Senior Mortgagee may

from time to time elect to execute pursuant to requests of any Obligor and in substantially the same form as executed by Senior Mortgagee, but nothing herein shall impose any duty or obligation on Senior Mortgagee to comply with any such request made by any Obligor.

9. Bankruptcy of any Obligor.

9.1 Upon any liquidation or reorganization of any Obligor or, if any Obligor is a partnership, any general partner of such Obligor or any general partner of such general partner (any such Obligor or general partner is referred to herein as a "Borrower Party") in a bankruptcy, insolvency or receivership proceeding or upon any involuntary liquidation or dissolution of any Borrower Party, every payment or distribution, whether in cash, property or securities, to which Subordinate Mortgagee would be entitled but for this Agreement, shall instead be paid over to Senior Mortgagee for application on account of the Senior Debt. In the event of any Bankruptcy Proceeding, or upon an assignment for the benefit of creditors, or any other marshalling of the assets and liabilities of the Borrower or otherwise, any payment or distribution of any kind (whether in cash, securities or other property) which would be payable or deliverable upon or with respect to the indebtedness evidenced and secured by the Subordinate Loan Documents shall be paid or delivered directly to Senior Mortgagee for application (in the case of cash) to, or as collateral (in the case of securities or other non-cash property) for, the payment or prepayment of the Senior Loan until the Senior Loan shall have been paid in full; and

if any such payment or distribution is received by Subordinate Mortgagee prior to such payment in full of the Senior Loan, Subordinate Mortgagee shall be deemed to have received the same in trust for the benefit of Senior Mortgagee, and shall immediately remit such payment or distribution to Senior Mortgagee immediately upon demand therefor. Subordinate Mortgagee shall, upon payment of any sums to Senior Mortgagee pursuant to this Section 9.1, become subrogated to Senior Mortgagee's rights against Borrower in respect of such sums; provided, however, that Subordinate Mortgagee shall not exercise any such right of subrogation unless and until such time as the Senior Indebtedness is paid or repaid, as the case may be, in full.

9.2 Subordinate Mortgagee irrevocably authorizes Senior Mortgagee (but Senior Mortgagee has no obligation to take any such action), under the circumstances described in Paragraph 9.1 above, to demand, sue for, collect and receive every such payment or distribution described in Paragraph 9.1, to file claims and proofs of claims in any statutory or nonstatutory proceeding, to vote the full amount of the Subordinate Debt in its sole discretion in connection with any resolution, arrangement, plan of reorganization, compromise, settlement or extension and to take all such other action (including, without limitation, the right to participate in any composition of creditors and the right to vote the amount of the Subordinate Indebtedness at creditors' meetings for the election of trustees, acceptances of plans and otherwise), in the name of Senior Mortgagee or in the name of Subordinate Mortgagee or otherwise, as Senior Mortgagee may deem necessary or

advisable for the enforcement of the provisions of this Agreement. Subordinate Mortgagee agrees, under the circumstances set forth in Paragraph 9.1 above, promptly to take such action as may be reasonably requested at any time by Senior Mortgagee, to deliver any instruments required to collect the amount of the Subordinate Indebtedness and to file appropriate proofs of claim in respect thereof, to deliver any instruments evidencing the Subordinate Indebtedness to Senior Mortgagee, on demand therefor, and to execute and deliver such powers of attorney, assignments or other instruments as may be requested by Senior Mortgagee in order to enable Senior Mortgagee to collect and receive any and all payments or distributions which may be payable or deliverable at any time upon or in respect of the Subordinate Indebtedness. Nothing herein contained shall be deemed to preclude Subordinate Mortgagee from appearing or being heard in any bankruptcy, insolvency, or other similar proceedings affecting any Borrower Party or from accelerating the Subordinate Loan following the occurrence of any of the circumstances described in Paragraph 9.1 above or the issuance of an order for relief under any bankruptcy or insolvency law or code; provided, however, that Subordinate Mortgagee shall not violate the provisions of the last sentence of Paragraph 4 above or collect from any Borrower Party or any Property or any trustee, custodian or other representative of the estate of any Borrower Party any amount due to Subordinate Mortgagee (through subrogation to the rights of Senior Mortgagee, enforcement of the Subordinate Documents or otherwise) or exercise any other remedy

against any Borrower Party or any Property until and unless all the Senior Debt shall have been paid in full.

10. Priority of Payment Following Default. Without limiting the provisions of Paragraph 3 hereof, upon the occurrence and during the continuation of any Event of Default under any of the Senior Mortgages or any other Senior Loan Document, (a) all amounts payable in respect of the Senior Debt shall be paid in full before any payment or distribution, whether in cash or in other property, shall be made to Subordinate Mortgagee on account of any amounts payable under any of the Subordinate Documents, and (b) during the continuation of any such Event of Default, any payment or distribution, whether in cash or other property, which would otherwise (but for the subordination provisions contained in this Agreement) be payable or deliverable in respect of any amounts payable in respect of the Subordinate Indebtedness and/or any of the Subordinate Documents shall be paid or delivered directly to Senior Mortgagee in respect of any amounts payable in respect of the Senior Debt and/or any of the Senior Loan Documents (including any interest thereon accruing after the occurrence of any such Event of Default) until all such amounts shall have been paid in full or such Event of Default shall have been expressly waived in writing by Senior Mortgagee.

11. Rents.

Without in any way limiting any of the other terms, provisions or conditions of this Agreement, none of the rents, revenues, issues or profits (collectively, "Rents") from any

Property shall be paid to or may be collected on behalf of Subordinate Mortgagee, and all Rents collected by or on behalf of Subordinate Mortgagee shall be paid promptly to Senior Mortgagee (or its receiver) for disposition in accordance with law and the terms, provisions and conditions of the Senior Loan Documents. As long as no Event of Default under any of the Senior Loan Documents is continuing, Vornado or its affiliate, in its capacity as manager under that certain Management Agreement, dated as of February 6, 1995, between Borrower and Vornado (together with such immaterial modifications that have occurred prior to, or as of, the date hereof, the "Management Agreement"), shall have the right to collect the Rents as agent for Borrower; provided, however, that upon demand made by Senior Mortgagee or its receiver during the continuance of any Event of Default under any of the Senior Loan Documents, Vornado shall pay the Rents collected by it promptly (but not later than two (2) Business Dates after receipt) to Senior Mortgagee (or its receiver). Upon the appointment of a receiver for any Property in connection with a foreclosure action commenced by Senior Mortgagee, Vornado shall exercise reasonable efforts to cause all tenants of said Property to pay rents directly to such receiver. Borrower and each Obligor hereby authorize, direct and consent to Subordinate Mortgagee's and Vornado's paying Rents in accordance with the foregoing requirements of this paragraph 11, and no such payment of Rents by Subordinate Mortgagee or Vornado shall constitute a default or violation of any of the provisions of the Management Agreement.

12. Delivery of Payments. If any payment or distribution of security or the proceeds of any thereof is collected or received by Subordinate Mortgagee in respect of any of the Subordinate Indebtedness in contravention of any term, condition or provision of this Agreement, Subordinate Mortgagee immediately will deliver the same to Senior Mortgagee, in the form received (except for the endorsement or the assignment by Subordinate Mortgagee where necessary), and, until so delivered, the same shall be held in trust by Subordinate Mortgagee as the property of Senior Mortgagee.

13. Modification of Senior Loan Documents. Subordinate Mortgagee agrees that, without any notice to or consent by Subordinate Mortgagee, without limiting or diminishing any rights or remedies of Senior Mortgagee hereunder, and without any other action on the part of Senior Mortgagee in respect of Subordinate Mortgagee:

(a) any demand for payment of the Senior Debt or any part thereof made by Senior Mortgagee may be rescinded, and the Senior Debt, any of the Senior Mortgages, any of the other Senior Loan Documents, the liability of Obligors (or any of them) with respect thereto and any collateral security therefor and any guaranty thereof may from time to time be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released subject to the provisions of paragraph 1(b) hereof;

(b) the terms and conditions upon which the Senior Loan was or may hereafter be incurred, any of the Senior Loan Documents and any other documents related thereto or executed in connection

therewith, including collateral security documents and guaranties, may be amended or modified from time to time, subject to the provisions of paragraph 1(b) hereof;

(c) any collateral security held by Senior Mortgagee at any time for the payment of the Senior Loan may be sold, exchanged, waived, surrendered or released, subject, however, to the rights of Subordinate Mortgagee under the Cash Collateral Agreement and the Pledge Agreement;

(d) any Obligor or other person may be released from liability for the payment or collection of the Senior Debt or any part thereof; and

(e) Senior Mortgagee may exercise or refrain from exercising any right against any Obligor or other person, including, without limitation, any Guarantor, and waive any Default or Event of Default under any of the Senior Loan Documents.

14. Modification of Certain Agreements. Subordinate Mortgagee and Obligors hereby agree that they will not enter into or permit any Affiliate to enter into any amendment of the Management Agreement or the Leasing Agreement (as hereinafter defined), which amendment provides for the payment of any fees, charges, commissions or other sums payable to Subordinate Mortgagee (or any Affiliate that is a successor to the rights and obligations of Subordinate Mortgagee thereunder) in excess of the Permitted Fees. As used in this Agreement, "Permitted Fees" means, with respect to the Management Agreement or the Leasing Agreement, the

fees, charges, commissions or other sums payable to Subordinate Mortgagee (or such Affiliate) pursuant to such agreement, including, without limitation, as the same may be adjusted from time to time in accordance with or as contemplated by the terms of the Management Agreement as in effect as of the date hereof or the terms of the Leasing Agreement as in effect on the date hereof; and "Leasing Agreement" means that certain Real Estate Retention Agreement, dated as of July 20, 1992, among Vornado, Inc. (as predecessor to Subordinate Mortgagee), Keen Realty Consultants and Borrower.

15. Collection of Funds. Without limiting the other provisions hereof or of any of the Senior Mortgages, all funds which any Obligor may be required to deposit under the terms of both the Senior Mortgage and Subordinate Mortgage on any Property shall be deposited with Senior Mortgagee under the terms of the Senior Mortgage.

16. Further Assurances. Subordinate Mortgagee will and at any time and from time to time, promptly execute and deliver all further instruments and documents, and take all further action, that may be reasonably necessary or desirable, or that Senior Mortgagee may reasonably request, in order to protect any right or interest granted hereby or to enable Senior Mortgagee to exercise and enforce its rights and remedies hereunder.

17. Waiver of Notice, Etc. For purposes of this Agreement, Subordinate Mortgagee hereby waives promptness, diligence, notice of acceptance and any other notice (other than notices required of

Senior Mortgagee pursuant to this Agreement or any other written agreement between the parties hereto) with respect to the Senior Loan, the Senior Loan Documents and this Agreement, and Subordinate Mortgagee hereby waives any requirement that Senior Mortgagee protect, secure, perfect or take any other measures with respect to any security interest or lien or any property subject thereto or exhaust any right or take any action against Borrower or any other Obligor or entity or any of the Properties or any collateral.

18. Notices. (a) Senior Mortgagor and Subordinate Mortgagee shall notify the other, in writing, of any Default under the Senior Loan Documents or the Subordinate Loan Documents, respectively, promptly after the occurrence of such Default. Any notice, consent, request or other communication required or permitted to be given hereunder shall be in writing and shall be (a) personally delivered, (b) delivered by an overnight delivery service of outstanding national reputation, (c) transmitted by postage prepaid, U.S. registered or certified mail, or (d) except with respect to notices of default or acceleration, transmitted by telex, telecopier or facsimile machine to the parties as follows:

If to Senior Mortgagee:

First Fidelity Bank, N.A.
550 Broad Street
B55015
Newark, New Jersey 17102
Attn: Robert T. Matthews, Vice President

With a copy sent simultaneously to:

Herrick, Feinstein
2 Park Avenue
New York, New York 10016
Attn: Jeffrey H. Kaufman, Esq.

If to Subordinate Mortgagee or Vornado:

Vornado Realty Trust
Park 80 West, Plaza II
Saddle Brook, New Jersey 07663
Attn: Chief Financial Officer

With a copy sent simultaneously to:

Sullivan & Cromwell
250 Park Avenue
New York, New York 10177
Attn: Patricia A. Ceruzzi, Esq.
and Janet Geldzahler, Esq.

-and-

Steven Roth, Chairman of the Board
Vornado Realty Trust
Park 80 West, Plaza II
Saddle Brook, New Jersey 07663

All notices and other communications shall be deemed to have been duly given on (i) the date of delivery, if personally delivered, (ii) the first business day following the date of delivery to overnight delivery service, if by overnight delivery service, (iii) three (3) days following posting, if transmitted by U.S. certified or registered mail, (iv) the date of transmission with confirmed answerback if transmitted by telex, or (v) on the date a legible copy is received by the addressee, if transmitted by telecopier or facsimile machine, whichever shall first occur. Any party may change its address for purposes hereof by notice to the other parties given in accordance with the provision hereof.

19. No Waiver. No failure to exercise and no delay in exercising on the part of Senior Mortgagee of any right, power or privilege under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided in this Agreement and in any of the Senior Loan Documents shall be cumulative and shall not be exclusive of any rights or remedies provided by law. No right of Senior Mortgagee to enforce the provisions contained in this Agreement shall be impaired by any act or failure to act by Subordinate Mortgagee or any Obligor.

20. Governing Law. This Agreement and the rights and obligations of the parties hereunder shall be governed by and construed and interpreted in accordance with the laws of the State of New York without regard to conflicts of law of principles.

21. Termination. This Agreement shall terminate and cease to be any further force or effect upon payment in full of the Senior Debt; provided, however, that this Agreement shall be reinstated if at any time payment of all or any part of the Senior Debt is rescinded or otherwise must be restored or returned by Senior Mortgagee upon the insolvency, bankruptcy or reorganization of Borrower or any Obligor or otherwise as though such payment had not been made.

22. Assignment.

22.1 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assignees; provided, however, that the foregoing shall not be construed to release any Obligor from, or modify or otherwise affect any provision(s) contained in any of the Senior Mortgages or any of the other Senior Loan Documents, prohibiting the direct or indirect sale or other transfer of any Property or any interest therein or in any Obligor, or making any such sale or transfer a Default or Event of Default under any of the Senior Loan Documents.

22.2 If Senior Mortgagee shall sell, assign or transfer its right, title and interest under any Senior Mortgage, then any assignee of such Senior Mortgage shall be entitled to all the benefits of this Agreement.

23. Waiver of Trial by Jury. The parties hereto agree that any suit, action or proceeding, whether claim or counterclaim, brought by any party on or with respect to this Agreement or any document relating hereto or the dealings of the parties with respect hereto or thereto, shall be tried only by a court and not by a jury. Each party hereby knowingly, voluntarily and intentionally waive any right to a trial by jury in any such suit, action or proceeding. Obligors and Subordinate Mortgagee acknowledge and agree that this Paragraph is a specific and material aspect of this Agreement and that Senior Mortgagee would

not extend credit to Borrower if the waivers set forth in this section were not a part of this Agreement.

24. Deed-in-Lieu. If, after the occurrence of an Event of Default under any of the Senior Loan Documents, Senior Mortgagee and any one or more Obligors shall enter into an agreement whereby Senior Mortgagee agrees to accept the transfer of title to it or its designee of all or any part of any Property or interests covered by any one or more of the Senior Mortgages in satisfaction for all or any part of the then outstanding Senior Debt, then simultaneously with such transfer of title to Senior Mortgagee or its designee, Subordinate Mortgagee will execute and deliver to Senior Mortgagee, instrument(s) in recordable form and otherwise in form and substance reasonably satisfactory to Senior Mortgagee, releasing, satisfying and discharging of record all Subordinate Mortgages and all other mortgages and liens, if any, held by Subordinate Mortgagee, its successors or assigns, and covering all or any part of the same property or property interests which are being transferred as aforesaid to Senior Mortgagee; and Subordinate Mortgagee hereby grants to Senior Mortgagee an irrevocable power of attorney, coupled with an interest, to execute and deliver in the name of Subordinate Mortgagee the aforementioned instrument(s) which Subordinate Mortgagee fails to execute and deliver to Senior Mortgagee within ten (10) days after Senior Mortgagee shall have given written notice to Subordinate Mortgagee, requesting its

execution and delivery of such instrument(s) pursuant to this paragraph.

25. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

26. Miscellaneous.

26.1 The purpose of this Agreement is to define the relative rights of Senior Mortgagee and Subordinate Mortgagee, and this Agreement shall not impair or otherwise affect in any way the obligations of any Obligor under any of the Senior Loan Documents and/or Subordinate Loan Documents, which obligations are absolute and unconditional.

26.2 If any provision of this Agreement shall conflict with any provision of the Senior Loan Documents or the Subordinate Loan Documents, then the provisions of this Agreement shall control.

26.3 Subordinate Mortgagee agrees that it will not modify, amend or supplement any of the Subordinate Loan Documents in any manner that would adversely affect any of the rights and remedies of Senior Mortgagee hereunder or under any of the Senior Loan Documents.

26.4 No provision of this Agreement shall be waived, amended or supplemented except by a written instrument signed by the party

or parties against whom enforcement of such waiver, amendment or supplement is sought.

26.5 Vornado agrees to cause Subordinate Mortgagee to duly and timely observe and perform all of the terms, covenants and conditions required under this Agreement to be observed or performed on the part of Subordinate Mortgagee. If Subordinate Mortgagee defaults in performing or observing any of the terms, covenants or conditions to be performed or observed on its part under this Agreement, Senior Mortgagee shall have the right to all available legal and equitable remedies and other relief. In addition, Subordinate Mortgagee and Vornado, jointly and severally, agree to indemnify and hold harmless Senior Mortgagee from and against (a) all damages, losses and liabilities suffered or incurred by Senior Mortgagee as the result of any such default, and (b) all costs and expenses (including reasonable attorneys' fees and disbursements) incident to the matters referred to in the preceding clause (a), whether or not litigation is commenced.

26.6 This Agreement is not intended to or shall be construed to make Senior Mortgagee a joint venturer or partner of Subordinate Mortgagee. Neither party hereto shall hold itself out as a partner, agent or affiliate of the other party hereto.

26.7 If any provision of this Agreement shall be invalid or unenforceable to any extent, then the other provisions of this

Agreement shall not be affected thereby and shall be enforced to the fullest extent permitted by law.

26.8 For purposes of this Agreement, Vornado Realty Trust and any Affiliate of it shall be deemed to be an Affiliate of Subordinate Mortgagee.

26.9 Borrower hereby acknowledges that (i) the aggregate rate of interest (including the loan fees) on the Senior Loan and the Subordinate Loan reflects good faith, arm's length negotiations involving the Borrower; and (ii) the rate of interest on (and the loan fee associated with) the Senior Loan was arrived at by good faith, arm's length negotiations between Senior Mortgagee and Borrower. Borrower acknowledges that the interest rate accruing on (and the loan fee associated with) the Subordinate Loan is intended to compensate Subordinate Mortgagee for making the Subordinate Loan and incurring the increased risk of making a subordinate loan to Borrower.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above.

VORNADO LENDING CORP.

By: /s/ Joseph Macnow

Name:
Title: Vice President

VORNADO REALTY TRUST

By: /s/ Joseph Macnow

Name:
Title: Vice President

FIRST FIDELITY BANK, NATIONAL ASSOCIATION

By: /s/ Joseph Tkac

Name:
Title: Vice President

Borrower is signing below to acknowledge its consent to Section 26.9 only.

ALEXANDERS, INC.

By: /s/ Stephen Mann

Name:
Title: Chairman

REVOLVING LOAN AGREEMENT

dated as of February 27, 1995

among

VORNADO REALTY TRUST,
as Borrower,

UNION BANK OF SWITZERLAND
(New York Branch),
as Bank,

and

UNION BANK OF SWITZERLAND
(New York Branch),
as Administrative Agent

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REVOLVING LOAN AGREEMENT dated as of February 27, 1995 among VORNADO REALTY TRUST, a real estate investment trust organized and existing under the laws of the State of Maryland ("Borrower"), UNION BANK OF SWITZERLAND (New York Branch), as agent for the Banks (in such capacity, together with its successors in such capacity, "Administrative Agent"), and UNION BANK OF SWITZERLAND (New York Branch) (in its individual capacity and not as Administrative Agent, "UBS"; UBS and the lenders who from time to time become Banks pursuant to Section 3.07 or 12.05, each a "Bank" and collectively, the "Banks").

Borrower desires that the Banks extend credit as provided herein, and the Banks are prepared to extend such credit. Accordingly, Borrower, each Bank and Administrative Agent agree as follows:

ARTICLE I. DEFINITIONS; ETC.

Section 1.01 Definitions. As used in this Agreement the following terms have the following meanings (except as otherwise provided, terms defined in the singular to have a correlative meaning when used in the plural and vice versa):

"Administrative Agent" has the meaning specified in the preamble.

"Administrative Agent's Office" means Administrative Agent's address located at 299 Park Avenue, New York, NY 10171, or such other address in the United States as Administrative Agent may designate by written notice to Borrower and the Banks.

"Affiliate" means, with respect to any Person (the "first Person"), any other Person: (1) which directly or indirectly controls, or is controlled by, or is under common control with the first Person; or (2) ten percent (10%) or more of the beneficial interest in which is directly or indirectly owned or held by the first Person. The term "control" means the possession, directly or indirectly, of the power, alone, to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

"Agreement" means this Revolving Loan Agreement.

"Applicable Lending Office" means, for each Bank and for its LIBOR Loan or Base Rate Loan, as applicable, the lending office of such Bank (or of an Affiliate of such Bank) designated as such on its signature page hereof or in the applicable Assignment and Assumption Agreement, or such other office of such Bank (or of an Affiliate of such Bank) as such Bank may from time to time specify to Administrative Agent and Borrower as the

office by which its LIBOR Loan or Base Rate Loan, as applicable, is to be made and maintained.

"Applicable Margin" means: (1) with respect to the Base Rate and Base Rate Loans, one-half percent (.50%), and (2) with respect to the LIBOR Interest Rate and LIBOR Loans, one and one-half percent (1.50%).

"Assignee" has the meaning specified in Section 12.05.

"Assignment and Assumption Agreement" means an Assignment and Assumption Agreement, substantially in the form of EXHIBIT E hereto, pursuant to which a Bank assigns and an Assignee assumes rights and obligations in accordance with Section 12.05.

"Authorization Letter" means a letter agreement executed by Borrower in the form of EXHIBIT A hereto.

"Bank" and "Banks" have the respective meanings specified in the preamble.

"Bank Parties" means Administrative Agent and the Banks.

"Banking Day" means (1) any day on which commercial banks are not authorized or required to close in New York City and (2) whenever such day relates to a LIBOR Loan, an Interest Period with respect to a LIBOR Loan, or notice with respect to any LIBOR Loan, a day on which dealings in Dollar deposits are also carried out in the London interbank market and banks are open for business in London.

"Base Rate" means, for any day, the higher of (1) the Federal Funds Rate for such day plus one-half percent (.50%), or (2) the Prime Rate for such day.

"Base Rate Loan" means all or any portion (as the context requires) of a Bank's Loan which shall accrue interest at a rate determined in relation to the Base Rate.

"Borrower's Accountants" means Deloitte & Touche, or such other accounting firm(s) selected by Borrower and reasonably acceptable to the Required Banks.

"Borrower" has the meaning specified in the preamble.

"Capitalization Value" means, at any time, the sum of (a) Cash Flow less all leasing commissions and management and development fees earned by Borrower (net of any expenses applicable thereto), for the three (3) month period then ended annualized, capitalized at a rate of 10% per annum and (b) such

leasing commissions and management and development fees, capitalized at a rate of 25% per annum.

"Capital Lease" means any lease which has been or should be capitalized on the books of the lessee in accordance with GAAP.

"Cash Flow" means, for any period of time, Combined EBITDA less income taxes.

"Closing Date" means the date this Agreement has been executed by all parties.

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

"Combined EBITDA" means, for any period of time, (1) revenues less operating costs before Interest Expense, income taxes, gains or losses on the sale of real estate and/or marketable securities, depreciation and amortization and extraordinary items for Borrower and its Consolidated Businesses, plus (2) Borrower's beneficial interest in revenues less operating costs before Interest Expense, income taxes, gains or losses on the sale of real estate and/or marketable securities, depreciation and amortization and extraordinary items (after eliminating appropriate intercompany amounts) applicable to each of the UJVs, in all cases as reflected in the VRT Consolidated Financial Statements.

"Consolidated Businesses" means, collectively each Affiliate of Borrower who is included in the VRT Consolidated Statements in accordance with GAAP.

"Consolidated Outstanding Indebtedness" means, as of any time, all indebtedness and liability for borrowed money, secured or unsecured, of Borrower and its Consolidated Businesses, including mortgage and other notes payable but excluding any indebtedness which is margin indebtedness on cash and cash equivalent securities, all as reflected in the VRT Consolidated Financial Statements.

"Contingent Liabilities" means the sum of (1) those liabilities, as determined in accordance with GAAP, set forth and quantified as contingent liabilities in the notes to the VRT Consolidated Financial Statements and (2) contingent liabilities, other than those described in the foregoing clause (1), which represent direct payment guaranties of Borrower; provided, however, that Contingent Liabilities shall exclude contingent liabilities which represent the "Other Party's Share" of "Duplicated Obligations" (as such quoted terms are hereinafter defined). "Duplicated Obligations" means, collectively, all those payment guaranties in respect of Debt of UJVs for which Borrower and another party are jointly and severally liable,

where the other party is, in the sole judgment of the Required Banks, capable of satisfying the Other Party's Share of such obligation. "Other Party's Share" means such other party's fractional beneficial interest in the UJV in question.

"Continue", "Continuation" and "Continued" refer to the continuation pursuant to Section 2.12 of a LIBOR Loan as a LIBOR Loan from one Interest Period to the next Interest Period.

"Convert", "Conversion" and "Converted" refer to a conversion pursuant to Section 2.12 of a Base Rate Loan into a LIBOR Loan or a LIBOR Loan into a Base Rate Loan, each of which may be accompanied by the transfer by a Bank (at its sole discretion) of all or a portion of its Loan from one Applicable Lending Office to another.

"Debt" means: (1) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services (including trade obligations); (2) obligations as lessee under Capital Leases; (3) current liabilities in respect of unfunded vested benefits under any Plan; (4) obligations under letters of credit issued for the account of any Person; (5) all obligations arising under bankers' or trade acceptance facilities; (6) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business), and other contingent obligations to purchase any of the items included in this definition, to provide funds for payment, to supply funds to invest in any Person, or otherwise to assure a creditor against loss; (7) all obligations secured by any Lien on property owned by the Person whose Debt is being measured, whether or not the obligations have been assumed; and (8) all obligations under any agreement providing for contingent participation or other hedging mechanisms with respect to interest payable on any of the items described above in this definition.

"Default" means any event which with the giving of notice or lapse of time, or both, would become an Event of Default.

"Default Rate" means a rate per annum equal to: (1) with respect to Base Rate Loans, a variable rate three percent (3%) above the rate of interest then in effect thereon (including the Applicable Margin); and (2) with respect to LIBOR Loans, a fixed rate three percent (3%) above the rate(s) of interest in effect thereon (including the Applicable Margin) at the time of Default until the end of the then current Interest Period therefor and, thereafter, a variable rate three percent (3%) above the rate of interest for a Base Rate Loan (including the Applicable Margin).

"Disposition" means a sale (whether by assignment, transfer or Capital Lease) of an asset.

"Dollars" and the sign "\$" mean lawful money of the United States of America.

"Elect", "Election" and "Elected" refer to election, if any, by Borrower pursuant to Section 2.12 to have all or a portion of an advance of the Loans be outstanding as LIBOR Loans.

"Environmental Discharge" means any discharge or release of any Hazardous Materials in violation of any applicable Environmental Law.

"Environmental Law" means any applicable Law relating to pollution or the environment, including Laws relating to noise or to emissions, discharges, releases or threatened releases of Hazardous Materials into the work place, the community or the environment, or otherwise relating to the generation, manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

"Environmental Notice" means any written complaint, order, citation, letter, inquiry, notice or other written communication from any Person (1) affecting or relating to Borrower's compliance with any Environmental Law in connection with any activity or operations at any time conducted by Borrower, (2) relating to the occurrence or presence of or exposure to or possible or threatened or alleged occurrence or presence of or exposure to Environmental Discharges or Hazardous Materials at any of Borrower's locations or facilities, including, without limitation: (a) the existence of any contamination or possible or threatened contamination at any such location or facility and (b) remediation of any Environmental Discharge or Hazardous Materials at any such location or facility or any part thereof; and (3) any violation or alleged violation of any relevant Environmental Law.

"Equity Value" means, at any time, the sum of (1) Capitalization Value and (2) without duplication, the cost basis of properties of Borrower under construction as certified by Borrower, such certificate to be accompanied by all appropriate documentation supporting such figure.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, including the rules and regulations promulgated thereunder.

"ERISA Affiliate" means any corporation or trade or business which is a member of the same controlled group of organizations (within the meaning of Section 414(b) of the Code) as Borrower or is under common control (within the meaning of Section 414(c) of the Code) with Borrower or is required to be treated as a single employer with Borrower under Section 414(m) or 414(o) of the Code.

"Event of Default" has the meaning specified in Section 9.01.

"Federal Funds Rate" means, for any day, the rate per annum (expressed on a 360-day basis of calculation) 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 provided that (1) if such day is not a Banking Day, the Federal Funds Rate for such day shall be such rate on such transactions on the immediately preceding Banking Day as so published on the next succeeding Banking Day, and (2) if no such rate is so published on such next succeeding Banking Day, the Federal Funds Rate for such day shall be the average of the rates quoted by three Federal Funds brokers to Administrative Agent on such day on such transactions.

"Fiscal Year" means each period from January 1 to December 31.

"Funds From Operations" means Combined EBITDA less the sum of Interest Expense and income taxes.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time, applied on a basis consistent with those used in the preparation of the financial statements referred to in Section 5.13 (except for changes concurred in by Borrower's Accountants).

"Good Faith Contest" means the contest of an item if: (1) the item is diligently contested in good faith, and, if appropriate, by proceedings timely instituted; (2) adequate reserves are established with respect to the contested item; (3) during the period of such contest, the enforcement of any contested item is effectively stayed; and (4) the failure to pay or comply with the contested item during the period of the contest is not likely to result in a Material Adverse Change.

"Governmental Approvals" means any authorization, consent, approval, license, permit, certification, or exemption of, registration or filing with or report or notice to, any Governmental Authority.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Hazardous Materials" means any pollutant, effluents, emissions, contaminants, toxic or hazardous wastes or substances, as any of those terms are defined from time to time in or for the purposes of any relevant Environmental Law, including asbestos fibers and friable asbestos, polychlorinated biphenyls, and any petroleum or hydrocarbon-based products or derivatives.

"Initial Advance" means the first advance of proceeds of the Loans.

"Interest Expense" means, for any period of time, the consolidated interest expense (without deduction of consolidated interest income) of Borrower and its Consolidated Businesses, including, without limitation or duplication (or, to the extent not so included, with the addition of), (1) the portion of any rental obligation in respect of any Capital Lease obligation allocable to interest expense in accordance with GAAP; (2) the amortization of Debt discounts; (3) any payments or fees (other than up-front fees) with respect to interest rate swap or similar agreements; and (4) the interest expense and items listed in clauses (1) through (3) above applicable to each of the UJVs multiplied by Borrower's respective beneficial interests in the UJVs, in all cases as reflected in the applicable VRT Consolidated Financial Statements.

"Interest Period" means, with respect to any LIBOR Loan, the period commencing on the date the same is advanced, converted from a Base Rate Loan or Continued, as the case may be, and ending, as Borrower may select pursuant to Section 2.05, on the numerically corresponding day in the first, second, third or sixth calendar month thereafter, provided that each such Interest Period which commences on the last Banking Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Banking Day of the appropriate calendar month.

"Law" means any federal, state or local statute, law, rule, regulation, ordinance, order, code, or rule of common law, now or hereafter in effect, and in each case as amended, and any judicial or administrative interpretation thereof by a Governmental Authority or otherwise, including any judicial or administrative order, consent decree or judgment.

"LIBOR Base Rate" means, with respect to any Interest Period therefor, the rate per annum (rounded upwards if necessary to the nearest 1/16 of 1%) quoted at approximately 11:00 a.m., New York time, by the principal New York branch of UBS two (2) Banking Days prior to the first day of such Interest Period for the offering to leading banks in the London interbank market of Dollar deposits in immediately available funds, for a period, and in an amount, comparable to such Interest Period and principal amount of the LIBOR Loan in question outstanding during such Interest Period.

"LIBOR Interest Rate" means, for any LIBOR Loan, a rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by Administrative Agent to be equal to the quotient of (1) the LIBOR Base Rate for such LIBOR Loan for the Interest Period therefor divided by (2) one minus the LIBOR Reserve Requirement for such LIBOR Loan for such Interest Period.

"LIBOR Loan" means all or any portion (as the context requires) of any Bank's Loan which shall accrue interest at rate(s) determined in relation to LIBOR Interest Rate(s).

"LIBOR Reserve Requirement" means, for any LIBOR Loan, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during the Interest Period for such LIBOR Loan under Regulation D by member banks of the Federal Reserve System in New York City with deposits exceeding One Billion Dollars (\$1,000,000,000) against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the LIBOR Reserve Requirement shall also reflect any other reserves required to be maintained by such member banks by reason of any Regulatory Change against (1) any category of liabilities which includes deposits by reference to which the LIBOR Base Rate is to be determined as provided in the definition of "LIBOR Base Rate" in this Section 1.01 or (2) any category of extensions of credit or other assets which include loans the interest rate on which is determined on the basis of rates referred to in said definition of "LIBOR Base Rate".

"Lien" means any mortgage, deed of trust, pledge, security interest, hypothecation, assignment for collateral purposes, deposit arrangement, lien (statutory or other), or other security agreement or charge of any kind or nature whatsoever of any third party (excluding any right of setoff but including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction to evidence any of the foregoing).

"Loan" and "Loans" have the respective meanings specified in Section 2.01.

"Loan Commitment" means, with respect to each Bank, the obligation to make a Loan in the principal amount set forth below, as such amount may be reduced from time to time in accordance with the provisions of Section 2.10 and Section 6.10:

Bank	Loan Commitment
----	-----
UBS	\$75,000,000

Total	\$75,000,000
	=====

"Loan Documents" means this Agreement, the Notes and the Solvency Certificates.

"Material Adverse Change" means either (1) a material adverse change in the status of the business, results of operations, financial condition or property of Borrower or (2) any event or occurrence of whatever nature which is likely to have a material adverse effect on the ability of Borrower to perform its obligations under the Loan Documents.

"Material Affiliates" means the Affiliates listed on Exhibit C hereto.

"Maturity Date" means March 1, 1998.

"Multiemployer Plan" means a Plan defined as such in Section 3(37) of ERISA to which contributions have been made by Borrower or any ERISA Affiliate and which is covered by Title IV of ERISA.

"Note" and "Notes" have the respective meanings specified in Section 2.08.

"Obligations" means each and every obligation, covenant and agreement of Borrower, now or hereafter existing, contained in this Agreement, and any of the other Loan Documents, whether for principal, reimbursement obligations, interest, fees, expenses, indemnities or otherwise, and any amendments or supplements thereto, extensions or renewals thereof or replacements therefor, including but not limited to all indebtedness, obligations and liabilities of Borrower to Administrative Agent and any Bank now existing or hereafter incurred under or arising out of or in connection with the Notes, this Agreement, the other Loan Documents, and any documents or instruments executed in connection therewith; in each case whether direct or indirect, joint or several, absolute or contingent, liquidated or unliquidated, now or hereafter existing, renewed or restructured, whether or not from time to time decreased or extinguished and later increased, created or incurred, and including all indebtedness of Borrower, under any instrument now or hereafter evidencing or securing any of the foregoing.

"Parent" means, with respect to any Bank, any Person controlling such Bank.

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

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

"Plan" means any employee benefit or other plan established or maintained, or to which contributions have been made, by Borrower or any ERISA Affiliate of Borrower and which is covered by Title IV of ERISA or to which Section 412 of the Code applies.

"presence", when used in connection with any Environmental Discharge or Hazardous Materials, means and includes presence, generation, manufacture, installation, treatment, use, storage, handling, repair, encapsulation, disposal, transportation, spill, discharge and release.

"Prime Rate" means that rate of interest from time to time announced by UBS at its Principal Office as its prime commercial lending rate.

"Principal Office" means the principal office of UBS in the United States, presently located at 299 Park Avenue, New York, New York 10171.

"Pro Rata Share" means, for purposes of this Agreement and with respect to each Bank, a fraction, the numerator of which is the amount of such Bank's Loan Commitment and the denominator of which is the Total Loan Commitment.

"Prohibited Transaction" means any transaction set forth in Section 406 of ERISA or Section 4975 of the Code.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System, as the same may be amended or supplemented from time to time, or any similar Law from time to time in effect.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as the same may be amended or supplemented from time to time.

"Regulatory Change" means, with respect to any Bank, any change after the date of this Agreement in United States federal, state, municipal or foreign laws or regulations (including Regulation D) or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks including such Bank of or under any United States, federal, state, municipal or foreign laws or regulations (whether

or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"Reportable Event" means any of the events set forth in Section 4043(b) of ERISA, other than those events as to which the thirty (30) day notice period is waived under subsections .13, .14, .16, .18, .19 or .20 of PBGC Reg. Section 2615.

"Required Banks" means at any time the Banks holding at least sixty-six and sixty six hundredths percent (66.66%) of the then aggregate unpaid principal amount of the Loans.

"SEC Reports" means the reports required to be delivered to the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

"Secured Indebtedness" means that portion of Total Outstanding Indebtedness that is secured.

"Shopping Center EBITDA" means, for any period of time, revenues less operating costs (including assumed management fees of 2% of net rents) before Interest Expense, income taxes, gains or losses on the sale of real estate and/or marketable securities, depreciation and amortization and extraordinary items, in each case for the twelve shopping centers identified on EXHIBIT F.

"Solvency Certificate" means a certificate in substantially the form of EXHIBIT D hereto, to be delivered by Borrower pursuant to the terms of this Agreement.

"Solvent" means, when used with respect to any Person, that (1) the fair value of the property of such Person, on a going concern basis, is greater than the total amount of liabilities (including, without limitation, contingent liabilities) of such Person; (2) the present fair saleable value of the assets of such Person, on a going concern basis, is not less than the amount that will be required to pay the probable liabilities of such Person on its debts as they become absolute and matured; (3) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; (4) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged; and (5) such Person has sufficient resources, provided that such resources are prudently utilized, to satisfy all of such Person's obligations. Contingent liabilities will be computed at the amount that, in light of all the facts and circumstances existing at such time,

represents the amount that can reasonably be expected to become an actual or matured liability.

"Supplemental Fee Letter" means that certain letter, dated the date hereof, between UBS and Borrower.

"Total Loan Commitment" means an amount equal to the aggregate amount of all Loan Commitments.

"Total Market Capitalization" means, at any time, the sum of (1) Equity Value and (2) Total Outstanding Indebtedness.

"Total Outstanding Indebtedness" means the sum, without duplication, of (1) Consolidated Outstanding Indebtedness, (2) VRT's Share of UJV Combined Outstanding Indebtedness and (3) Contingent Liabilities.

"UJV Combined Outstanding Indebtedness" means, as of any time, all indebtedness and liability for borrowed money, secured or unsecured, of the UJV's, on a combined basis, including mortgage and other notes payable but excluding any indebtedness which is margin indebtedness on cash and cash equivalent securities, all as reflected in the balance sheets of each of the UJVs, prepared in accordance with GAAP.

"UJVs" means the unconsolidated joint ventures in which Borrower owns a beneficial interest and which are accounted for under the equity method in the VRT Consolidated Financial Statements other than Alexander's, Inc.

"Unencumbered Combined EBITDA" means that portion of Combined EBITDA attributable to Unencumbered Wholly-Owned Assets.

"Unencumbered Current Liability" of any Plan means the amount, if any, by which the actuarial present value of accumulated plan benefits as of the close of its most recent plan year, based upon the actuarial assumptions used by the Plan's actuary in the most recent annual valuation of the Plan, exceeds the fair market value of the assets allocable thereto, determined in accordance with Section 412 of the Code.

"Unencumbered Wholly-Owned Assets" means assets, reflected on the VRT Consolidated Financial Statements, wholly owned, directly or indirectly, by Borrower and not subject to any Lien to secure all or any portion of Secured Indebtedness.

"Unsecured Debt Yield" means, for any calendar quarter, the ratio, expressed as a percentage, of (1) Unencumbered Combined EBITDA for the three (3)-month period ending with such calendar quarter annualized to (2) Unsecured Indebtedness as of the end of such calendar quarter.

"Unsecured Indebtedness" means that portion of Total Outstanding Indebtedness that is unsecured.

"VRT Consolidated Financial Statements" means the consolidated balance sheet and related consolidated statement of operations, accumulated deficiency in assets and cash flows, and footnotes thereto, of Borrower, prepared in accordance with GAAP.

"VRT Principals" means the trustees, officers and directors of Borrower at any applicable time.

"VRT's Share of UJV Combined Outstanding Indebtedness" means the sum of the indebtedness of each of the UJVs contributing to UJV Combined Outstanding Indebtedness multiplied by Borrower's respective beneficial fractional interests in each such UJV.

Section 1.02 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP, and all financial data required to be delivered hereunder shall be prepared in accordance with GAAP.

Section 1.03 Computation of Time Periods. Except as otherwise provided herein, in this Agreement, in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and words "to" and "until" each means "to but excluding".

Section 1.04 Rules of Construction. When used in this Agreement: (1) "or" is not exclusive; (2) a reference to a law includes any amendment or modification to such law; (3) a reference to a Person includes its permitted successors and permitted assigns; (4) except as provided otherwise, all references to the singular shall include the plural and vice versa; (5) except as provided in this Agreement, a reference to an agreement, instrument or document shall include such agreement, instrument or document as the same may be amended, modified or supplemented from time to time in accordance with its terms and as permitted by the Loan Documents; (6) all references to Articles or Sections shall be to Articles and Sections of this Agreement unless otherwise indicated; and (7) all Exhibits to this Agreement shall be incorporated into this Agreement.

ARTICLE II. THE LOANS

Section 2.01 The Loans. Subject to the terms and conditions of this Agreement, each of the Banks severally agrees to make a loan to Borrower (each such loan by a Bank, a "Loan"; such loans, collectively, the "Loans") pursuant to which the Bank shall from time to time advance and re-advance to Borrower an amount equal to the excess of such Bank's Loan Commitment over all previous advances made by such Bank which remain unpaid.

Within the limits set forth herein, Borrower may borrow from time to time under this Section 2.01 and prepay from time to time pursuant to Section 2.09 (subject, however, to the restrictions on prepayment set forth in said Section), and thereafter re-borrow pursuant to this Section 2.01. The Loans may be outstanding as: (1) Base Rate Loans; (2) LIBOR Loans; or (3) a combination of the foregoing, as Borrower shall elect and notify Administrative Agent in accordance with Section 2.14. The LIBOR Loan and Base Rate Loan of each Bank shall be maintained at such Bank's Applicable Lending Office for its LIBOR Loan and Base Rate Loan, respectively.

The obligations of the Banks under this Agreement are several, and no Bank shall be responsible for the failure of any other Bank to make any advance of a Loan to be made by such other Bank. However, the failure of any Bank to make any advance of the Loan to be made by it hereunder on the date specified therefor shall not relieve any other Bank of its obligation to make any advance of its Loan specified hereby to be made on such date.

Section 2.02 Purpose. Borrower shall use the proceeds of the Loans for general capital and working capital requirements of Borrower and its Consolidated Businesses and UJVs.

In no event shall proceeds of the Loans be used in a manner that would violate Regulation U.

Each advance shall be subject, in addition to the limitations and conditions applicable to advances of the Loans generally, to Administrative Agent's receipt, on or immediately prior to the date the request for such advance is made, of (1) a certificate, of the sort required by paragraph (3)(b) of Section 6.09, containing covenant compliance calculations that include the pro-forma adjustments described below, which calculations shall demonstrate Borrower's compliance, on a pro-forma basis, as of the end of the most recently ended calendar quarter for which financial results are required hereunder to have been reported by Borrower, with all covenants enumerated in said paragraph (3)(b) and (2) a certificate by the same officer setting forth the use of the advance, the income projected to be generated from such advance for purposes of determining Combined EBITDA and the type of income so generated.

In connection with each advance of Loan proceeds, the following pro-forma adjustments shall be made to the covenant compliance calculations required as of the end of the most recently ended calendar quarter for which financial results are required hereunder to have been reported by Borrower:

(i) Total Outstanding Indebtedness and Unsecured Indebtedness shall be adjusted by adding thereto,

respectively, all indebtedness and unsecured indebtedness that is incurred by Borrower in connection with the advance;

(ii) Combined EBITDA, for any period, shall be adjusted by adding the income to be included as provided in Borrower's certificate; and

(iii) Interest Expense for any period, shall be adjusted by adding thereto interest expense to be incurred by Borrower in connection with the advance.

Section 2.03 Advances, Generally. The Initial Advance shall be in the minimum amount of Three Million Dollars (\$3,000,000) and in integral multiples of One Hundred Thousand Dollars (\$100,000) above such amount and shall be made upon satisfaction of the conditions set forth in Section 4.01. Subsequent advances shall be made no more frequently than weekly thereafter, upon satisfaction of the conditions set forth in Section 4.02. The amount of each advance subsequent to the Initial Advance shall be in the minimum amount of Three Million Dollars (\$3,000,000) (unless less than Three Million Dollars (\$3,000,000) is available for disbursement pursuant to the terms hereof at the time of any subsequent advance, in which case the amount of such subsequent advance shall be equal to such remaining availability) and in integral multiples of One Hundred Thousand Dollars (\$100,000) above such amount.

Section 2.04 Procedures for Advances. Borrower shall submit to Administrative Agent a request for each advance hereunder, stating the amount requested and the expected purpose for which such advance is to be used, no later than 10:00 a.m. (New York time) on the date, in the case of advances of Base Rate Loans, which is one (1) Banking Day, and, in the case of advances of LIBOR Loans, which is three (3) Banking Days, prior to the date the advance is to be made. Administrative Agent, upon its receipt and approval of the request for advance, will so notify the Banks. Not later than 10:00 a.m. (New York time) on the date of each advance, each Bank shall, through its Applicable Lending Office and subject to the conditions of this Agreement, make the amount to be advanced by it on such day available to Administrative Agent, at Administrative Agent's Office and in immediately available funds for the account of Borrower. The amount so received by Administrative Agent shall, subject to the conditions of this Agreement, be made available to Borrower, in immediately available funds, by Administrative Agent's crediting account number 292079 of Borrower maintained with Administrative Agent at Administrative Agent's Office.

Section 2.05 Interest Periods; Renewals. In the case of the LIBOR Loans, Borrower shall select an Interest Period of any duration in accordance with the definition of Interest Period in Section 1.01, subject to the following limitations: (1) no Interest Period may extend beyond the Maturity Date; (2) if an

Interest Period would end on a day which is not a Banking Day, such Interest Period shall be extended to the next Banking Day, unless such Banking Day would fall in the next calendar month, in which event such Interest Period shall end on the immediately preceding Banking Day; and (3) only eight (8) discrete segments of a Bank's Loan bearing interest at a LIBOR Interest Rate, for a designated Interest Period, pursuant to a particular Election, Conversion or Continuation, may be outstanding at any one time (each such segment of each Bank's Loan corresponding to a proportionate segment of each of the other Banks' Loans).

Upon notice to Administrative Agent as provided in Section 2.14, Borrower may Continue any LIBOR Loan on the last day of the Interest Period of the same or different duration in accordance with the limitations provided above.

Section 2.06 Interest. Borrower shall pay interest to Administrative Agent for the account of the applicable Bank on the outstanding and unpaid principal amount of the Loans, at a rate per annum as follows: (1) for Base Rate Loans at a rate equal to the Base Rate plus the Applicable Margin; and (2) for LIBOR Loans at a rate equal to the applicable LIBOR Interest Rate plus the Applicable Margin. Any principal amount not paid when due (when scheduled, at acceleration or otherwise) shall bear interest thereafter, payable on demand, at the Default Rate.

The interest rate on Base Rate Loans shall change when the Base Rate changes. Interest on Base Rate Loans and LIBOR Loans shall not exceed the maximum amount permitted under applicable law. Interest shall be calculated for the actual number of days elapsed on the basis of, in the case of both Base Rate Loans and LIBOR Loans, three hundred sixty (360) days.

Accrued interest shall be due and payable in arrears upon and with respect to any payment or prepayment of principal and on the first Banking Day of each calendar month; provided, however, that interest accruing at the Default Rate shall be due and payable on demand.

Section 2.07 Fees. (a) Borrower agrees to pay to Administrative Agent, for its account, the fees provided for in the Supplemental Fee Letter.

(b) Borrower shall, during the term of the Loans, pay to Administrative Agent for the account of each Bank a commitment fee computed on the daily unused Loan Commitment of such Bank, at a rate per annum equal to one-quarter percent (.25%), calculated on the basis of a year of three hundred sixty (360) days for the actual number of days elapsed. The accrued commitment fee shall be due and payable in arrears on the tenth (10th) day of June, September, December and March of each year, commencing on the first such date after the Closing Date, and upon the Maturity Date or earlier termination of the Loan Commitments.

(c) Borrower shall pay to Administrative Agent, for the account of Administrative Agent, on the Closing Date and on each anniversary of the Closing Date thereafter until (but excluding) the Maturity Date or earlier termination of the Loan Commitments, an annual administration fee in the amount of \$50,000.

Section 2.08 Notes. The Loan made by each Bank under this Agreement shall be evidenced by, and repaid with interest in accordance with, a single promissory note of Borrower in the form of EXHIBIT B hereto duly completed and executed by Borrower, representing the amount of such Bank's Loan Commitment, or if less, the aggregate unpaid principal amount of all Loans by such Bank to Borrower, payable to such Bank for the account of its Applicable Lending Office (each, a "Note" and collectively, the "Notes"). Each Note shall mature, and all outstanding principal and other sums thereunder shall be paid in full, on the Maturity Date.

Each Bank is hereby authorized by Borrower to endorse on the schedule attached to the Note held by it, the amount of each advance and each payment of principal received by such Bank for the account of its Applicable Lending Office(s) on account of its Loan, which endorsement shall, in the absence of manifest error, be conclusive as to the outstanding balance of the Loan made by such Bank; provided, however, that the failure to make such notation with respect to the Loan or each advance or payment shall not limit or otherwise affect the obligations of Borrower under this Agreement or the Note held by such Bank. Each Bank agrees that prior to any assignment of the Note it will endorse the schedule attached to its Note.

Section 2.09 Prepayments. Without prepayment premium or penalty but subject to Section 3.05, Borrower may, upon at least one (1) Banking Day's notice to Administrative Agent in the case of the Base Rate Loans, and at least three (3) Banking Days' notice to Administrative Agent in the case of LIBOR Loans, prepay the Loans in whole or, with respect to Base Rate Loans only, in part, provided that (1) any partial prepayment under this Section shall be in integral multiples of One Million Dollars (\$1,000,000); and (2) each prepayment under this Section shall include all interest accrued on the amount of principal prepaid to (but excluding) the date of prepayment.

Section 2.10 Changes of Commitments. (a) At any time, Borrower shall have the right, without premium or penalty, to terminate any unused Loan Commitments existing as of the date of such termination, in whole or in part, from time to time, provided that: (1) Borrower shall give notice of each such termination to Administrative Agent no later than 10:00 a.m. (New York time) on the date which is three (3) Banking Days prior to the effectiveness of such termination; (2) the Loan Commitments of each of the Banks must be terminated ratably and

simultaneously with those of the other Banks; and (3) each partial termination of the Loan Commitments as a whole (and corresponding reduction of the Total Loan Commitment) shall be in an integral multiple of One Million Dollars (\$1,000,000).

(b) The Loan Commitments, to the extent terminated, may not be reinstated.

Section 2.11 Method of Payment. Borrower shall make each payment under this Agreement and under the Notes not later than 11:00 A.M. (New York time) on the date when due in Dollars to Administrative Agent at Administrative Agent's Office in immediately available funds. Administrative Agent will thereafter, on the day of its receipt of each such payment, cause to be distributed to each Bank (1) such Bank's ratable share (based upon the respective outstanding principal amounts and interest due under the Notes of the Banks) of the payments of principal and interest in like funds for the account of such Bank's Applicable Lending Office; and (2) fees payable to such Bank in accordance with the terms of this Agreement. Borrower hereby authorizes Administrative Agent and the Banks, if and to the extent payment by Borrower is not made when due under this Agreement or under the Notes, to charge from time to time against any account Borrower maintains with Administrative Agent or any Bank any amount so due to Administrative Agent and/or the Banks.

Except to the extent provided in this Agreement, whenever any payment to be made under this Agreement or under the Notes is due on any day other than a Banking Day, such payment shall be made on the next succeeding Banking Day, and such extension of time shall in such case be included in the computation of the payment of interest and other fees, as the case may be.

Section 2.12 Elections, Conversions or Continuation of Loans. Subject to the provisions of Article III and Sections 2.05 and 2.13, Borrower shall have the right to Elect to have all or a portion of any advance of the Loans be LIBOR Loans, to Convert Base Rate Loans into LIBOR Loans, to Convert LIBOR Loans into Base Rate Loans, or to Continue LIBOR Loans as LIBOR Loans, at any time or from time to time, provided that: (1) Borrower shall give Administrative Agent notice of each such Election, Conversion or Continuation as provided in Section 2.14; and (2) a LIBOR Loan may be Continued only on the last day of the applicable Interest Period for such LIBOR Loan. Except as otherwise provided in this Agreement, each Election, Continuation and Conversion shall be applicable to each Bank's Loan in accordance with its Pro Rata Share.

Section 2.13 Minimum Amounts. With respect to the Loans as a whole, each Election and each Conversion shall be in an amount at least equal to Three Million Dollars (\$3,000,000)

and in integral multiples of One Hundred Thousand Dollars (\$100,000).

Section 2.14 Certain Notices Regarding Elections, Conversions and Continuations of Loans. Notices by Borrower to Administrative Agent of Elections, Conversions and Continuations of LIBOR Loans shall be irrevocable and shall be effective only if received by Administrative Agent not later than 10:00 a.m. (New York time) on the number of Banking Days prior to the date of the relevant Election, Conversion or Continuation specified below:

Notice -----	Number of Banking Days Prior -----
Conversions into Base Rate Loans	one (1)
Elections of, Conversions into or Continuations as, LIBOR Loans	three (3)

Promptly following its receipt of any such notice, Administrative Agent shall so advise the Banks. Each such notice of Election shall specify the portion of the amount of the advance that is to be LIBOR Loans (subject to Section 2.13) and the duration of the Interest Period applicable thereto (subject to Section 2.05); each such notice of Conversion shall specify the LIBOR Loans or Base Rate Loans to be Converted; and each such notice of Conversion or Continuation shall specify the date of Conversion or Continuation (which shall be a Banking Day), the amount thereof (subject to Section 2.13) and the duration of the Interest Period applicable thereto (subject to Section 2.05). In the event that Borrower fails to Elect to have any portion of an advance be LIBOR Loans, the entire amount of such advance shall constitute Base Rate Loans. In the event that Borrower fails to Continue LIBOR Loans within the time period and as otherwise provided in this Section, such LIBOR Loans will be automatically Converted into Base Rate Loans on the last day of the then current applicable Interest Period for such LIBOR Loans.

ARTICLE III. YIELD PROTECTION;
ILLEGALITY; ETC.

Section 3.01 Additional Costs. Borrower shall pay directly to each Bank from time to time on demand such amounts as such Bank may reasonably determine to be necessary to compensate it for any increased costs which such Bank determines are attributable to its making or maintaining a LIBOR Loan, or its obligation to make or maintain a LIBOR Loan, or its obligation to Convert a Base Rate Loan to a LIBOR Loan hereunder, or any reduction in any amount receivable by such Bank hereunder in respect of its LIBOR Loan or such obligations (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), in each case resulting from any Regulatory Change which:

(1) changes the basis of taxation of any amounts payable to such Bank under this Agreement or the Notes in respect of any such LIBOR Loan (other than (i) changes in the rate of general corporate, franchise, branch profit, net income or other income tax imposed on such Bank or its Applicable Lending Office or (ii) a tax described in Section 10.13); or

(2) (other than to the extent the LIBOR Reserve Requirement is taken into account in determining the LIBOR Rate at the commencement of the applicable Interest Period) imposes or modifies any reserve, special deposit, deposit insurance or assessment, minimum capital, capital ratio or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Bank (including any LIBOR Loan or any deposits referred to in the definition of "LIBOR Interest Rate" in Section 1.01), or any commitment of such Bank (including such Bank's Loan Commitment hereunder); or

(3) imposes any other condition (unrelated to the basis of taxation referred to in paragraph (1) above) affecting this Agreement or the Notes (or any of such extensions of credit or liabilities).

Without limiting the effect of the provisions of the first paragraph of this Section, in the event that, by reason of any Regulatory Change, any Bank either (1) incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits of other liabilities of such Bank which includes deposits by reference to which the LIBOR Interest Rate is determined as provided in this Agreement or a category of extensions of credit or other assets of such Bank which includes loans based on the LIBOR Interest Rate or (2) becomes subject to restrictions on the amount of such a category of liabilities or assets which it may hold, then, if such Bank so elects by notice to Borrower (with a copy to Administrative

Agent), the obligation of such Bank to permit Elections of, to Continue, or to Convert Base Rate Loans into, LIBOR Loans shall be suspended (in which case the provisions of Section 3.04 shall be applicable) until such Regulatory Change ceases to be in effect.

Determinations and allocations by a Bank for purposes of this Section of the effect of any Regulatory Change pursuant to the first or second paragraph of this Section, on its costs or rate of return of making or maintaining its Loan or portions thereof or on amounts receivable by it in respect of its Loan or portions thereof, and the amounts required to compensate such Bank under this Section, shall be included in a calculation of such amounts given to Borrower and shall be conclusive absent manifest error.

Section 3.02 Limitation on Types of Loans. Anything herein to the contrary notwithstanding, if, on or prior to the determination of the LIBOR Interest Rate for any Interest Period:

(1) Administrative Agent reasonably determines (which determination shall be conclusive) that quotations of interest rates for the relevant deposits referred to in the definition of "LIBOR Interest Rate" in Section 1.01 are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for the LIBOR Loans as provided in this Agreement; or

(2) a Bank reasonably determines (which determination shall be conclusive) and promptly notifies Administrative Agent that the relevant rates of interest referred to in the definition of "LIBOR Interest Rate" in Section 1.01 upon the basis of which the rate of interest for LIBOR Loans for such Interest Period is to be determined do not adequately cover the cost to such Bank of making or maintaining such LIBOR Loan for such Interest Period;

then Administrative Agent shall give Borrower prompt notice thereof, and so long as such condition remains in effect, the Banks (or, in the case of the circumstances described in clause (2) above, the affected Bank) shall be under no obligation to permit Elections of LIBOR Loans, to Convert Base Rate Loans into LIBOR Loans or to Continue LIBOR Loans and Borrower shall, on the last day(s) of the then current Interest Period(s) for the affected outstanding LIBOR Loans, either prepay the affected LIBOR Loans or Convert the affected LIBOR Loans into Base Rate Loans in accordance with Section 2.12.

Section 3.03 Illegality. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Bank or its Applicable Lending Office to honor its obligation to make or maintain a LIBOR Loan hereunder, to allow Elections of a LIBOR Loan or to Convert a Base Rate Loan

into a LIBOR Loan, then such Bank shall promptly notify Administrative Agent and Borrower thereof and such Bank's obligation to make or maintain, to permit Elections of, to Continue, or to Convert its Base Rate Loan into, a LIBOR Loan shall be suspended (in which case the provisions of Section 3.04 shall be applicable) until such time as such Bank may again make and maintain a LIBOR Loan.

Section 3.04 Treatment of Affected Loans. If the obligations of any Bank to permit an Election of a LIBOR Loan, to Continue its LIBOR Loan, or to Convert its Base Rate Loan into a LIBOR Loan, are suspended pursuant to Sections 3.01 or 3.03 (each LIBOR Loan so affected being herein called an "Affected Loan"), such Bank's Affected Loan shall be automatically Converted into a Base Rate Loan on the last day of the then current Interest Period for the Affected Loan (or, in the case of a Conversion required by Sections 3.01 or 3.03, on such earlier date as such Bank may specify to Borrower).

To the extent that such Bank's Affected Loan has been so Converted, all payments and prepayments of principal which would otherwise be applied to such Bank's Affected Loan shall be applied instead to its Base Rate Loan and such Bank shall have no obligation to Convert its Base Rate Loan into a LIBOR Loan.

Section 3.05 Certain Compensation. Other than in connection with a Conversion of an Affected Loan, Borrower shall pay to Administrative Agent for the account of the applicable Bank, upon the request of such Bank through Administrative Agent which request includes a calculation of the amount(s) due, such amount or amounts as shall be sufficient (in the reasonable opinion of such Bank) to compensate it for any loss, cost or expense which such Bank reasonably determines is attributable to:

(1) any payment, prepayment, Conversion or Continuation of a LIBOR Loan made by such Bank on a date other than the last day of an applicable Interest Period for such LIBOR Loan whether by reason of acceleration or otherwise; or

(2) any failure by Borrower for any reason to Convert or Continue a LIBOR Loan to be Converted or Continued by such Bank on the date specified therefor in the relevant notice under Section 2.14; or

(3) any failure by Borrower to borrow (or to qualify for a borrowing of) a LIBOR Loan which would otherwise be made hereunder on the date specified in the relevant Election notice under Section 2.14 given or submitted by Borrower.

Without limiting the foregoing, such compensation shall include an amount equal to the present value (using as the

discount rate an interest rate equal to the rate determined under (2) below of the excess, if any, of (1) the amount of interest (less the Applicable Margin) which otherwise would have accrued on the principal amount so paid, prepaid, Converted or Continued (or not Converted, Continued or borrowed) for the period from the date of such payment, prepayment, Conversion or Continuation (or failure to Convert, Continue or borrow) to the last day of the then current applicable Interest Period for the LIBOR Loan (or, in the case of a failure to Convert, Continue or borrow, to the last day of the applicable Interest Period for the LIBOR Loan which would have commenced on the date specified therefor in the relevant notice) at the applicable rate of interest for the LIBOR Loan provided for herein, over (2) the amount of interest (as reasonably determined by such Bank) based upon the interest rate which such Bank would have bid in the London interbank market for Dollar deposits, for amounts comparable to such principal amount and maturities comparable to such period. A determination of any Bank as to the amounts payable pursuant to this Section shall be conclusive absent manifest error.

Section 3.06 Capital Adequacy. If any Bank shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within fifteen (15) days after demand by such Bank (with a copy to Administrative Agent), Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its Parent) for such reduction. A certificate of any Bank claiming compensation under this Section, setting forth in reasonable detail the basis therefor, shall be conclusive absent manifest error.

Section 3.07 Substitution of Banks. If any Bank (an "Affected Bank") (i) makes demand upon Borrower for (or if Borrower is otherwise required to pay) Additional Costs pursuant to Section 3.01 or (ii) is unable to make or maintain its Pro Rata Share of the Loan at the LIBOR Based Rate as a result of a condition described in Section 3.03 or clause (2) of Section 3.02, Borrower may, within ninety (90) days of receipt of such demand or notice (or the occurrence of such other event causing Borrower to be required to pay Additional Costs or causing said

Section 3.03 or clause (2) of Section 3.02 to be applicable), as the case may be, give written notice (a "Replacement Notice") to Administrative Agent and to each Bank of Borrower's intention either (x) to prepay in full the Affected Bank's Note and to terminate the Affected Bank's entire Loan Commitment or (y) to replace the Affected Bank with another financial institution (the "Replacement Bank") designated in such Replacement Notice.

In the event Borrower opts to give the notice provided for in clause (x) above, and if the Affected Bank shall not agree within thirty (30) days of its receipt thereof to waive the payment of the Additional Costs in question or the effect of the circumstances described in Section 3.03 or clause (2) of Section 3.02, then, so long as no Default or Event of Default shall exist, Borrower may (notwithstanding the provisions of clause (2) of Section 2.10(a)) terminate the Affected Bank's entire Loan Commitment, provided that in connection therewith it pays to the Affected Bank all outstanding principal and accrued and unpaid interest under the Affected Bank's Note, together with all other amounts, if any, due from Borrower to the Affected Bank, including all amounts properly demanded and unreimbursed under Section 3.01.

In the event Borrower opts to give the notice provided for in clause (y) above, and if (i) Administrative Agent shall, within thirty (30) days of its receipt of the Replacement Notice, notify Borrower and each Bank in writing that the Replacement Bank is reasonably satisfactory to Administrative Agent and (ii) the Affected Bank shall not, prior to the end of such thirty (30)-day period, agree to waive the payment of the Additional Costs in question or the effect of the circumstances described in Section 3.03 or clause (2) of Section 3.02, then the Affected Bank shall, so long as no Default or Event of Default shall exist, assign its Note and all of its rights and obligations under this Agreement to the Replacement Bank, and the Replacement Bank shall assume all of the Affected Bank's rights and obligations, pursuant to an agreement, substantially in the form of an Assignment and Assumption Agreement, executed by the Affected Bank and the Replacement Bank. In connection with such assignment and assumption, the Replacement Bank shall pay to the Affected Bank an amount equal to the outstanding principal amount under the Affected Bank's Note plus all interest accrued thereon, plus all other amounts, if any (other than the Additional Costs in question), then due and payable to the Affected Bank; provided, however, that prior to or simultaneously with any such assignment and assumption, Borrower shall have paid to such Affected Bank all amounts properly demanded and unreimbursed under Section 3.01. Upon the effective date of such assignment and assumption, the Replacement Bank shall become a Bank Party to this Agreement and shall have all the rights and obligations of a Bank as set forth in such Assignment and Assumption Agreement, and the Affected Bank shall be released from its obligations hereunder, and no further consent or action by any party shall be

required. Upon the consummation of any assignment pursuant to this Section, a substitute note shall be issued to the Replacement Bank by Borrower, in exchange for the return of the Affected Bank's Note. Such substitute note shall constitute a "Note" and the obligations evidenced by such substitute note shall constitute "Obligations" for all purposes of this Agreement and the other Loan Documents. If the Replacement Bank is not incorporated under the laws of the United States of America or a state thereof, it shall, prior to the first date on which interest or fees are payable hereunder for its account, deliver to Borrower and Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 10.13. Each Replacement Bank shall be deemed to have made the representations contained in, and shall be bound by the provisions of, Section 10.13.

Borrower, Administrative Agent and the Banks shall execute such modifications to the Loan Documents as shall be reasonably required in connection with and to effectuate the foregoing.

ARTICLE IV. CONDITIONS PRECEDENT

Section 4.01 Conditions Precedent to the Initial Advance. The obligations of the Banks hereunder and the obligation of each Bank to make the Initial Advance are subject to the condition precedent that Administrative Agent shall have received on or before the Closing Date (other than with respect to paragraph (10) below which shall be required prior to the Initial Advance) each of the following documents, and each of the following requirements shall have been fulfilled:

(1) Fees and Expenses. The payment of (A) the first instalment of the annual administration fee required by Section 2.07(c); (B) all fees and expenses incurred by Administrative Agent (including, without limitation, the reasonable fees and expenses of legal counsel) and (C) those fees specified in the Supplemental Fee Letter to be paid to Administrative Agent on or before the Closing Date;

(2) Note. The Note for UBS, duly executed by Borrower;

(3) Financials of Borrower. Audited VRT Consolidated Financial Statements as of and for the year ended December 31, 1993, acceptable to the Banks;

(4) Evidence of Formation of Borrower. Certified (as of the Closing Date) copies of Borrower's declaration of trust and by-laws, with all amendments thereto, and a

certificate of the Secretary of State of the jurisdiction of formation as to its good standing therein;

(5) Evidence of All Trust Action. Certified (as of the Closing Date) copies of all documents evidencing the trust action taken by Borrower authorizing the execution, delivery and performance of the Loan Documents and each other document to be delivered by or on behalf of Borrower pursuant to this Agreement;

(6) Incumbency and Signature Certificate of Borrower. A certificate (dated as of the Closing Date) of the secretary of Borrower certifying the names and true signatures of each person authorized to sign on behalf of Borrower;

(7) Solvency Certificate. A Solvency Certificate, duly executed, from Borrower;

(8) Opinion of Counsel for Borrower. A favorable opinion, dated the Closing Date, of Sullivan & Cromwell and Ballard Spahr Andrews & Ingersoll, counsel for Borrower, as to such matters as Administrative Agent may reasonably request;

(9) Authorization Letter. The Authorization Letter, duly executed by Borrower;

(10) Request for Advance. A request for an advance in accordance with Section 2.04;

(11) Certificate. The following statements shall be true and Administrative Agent shall have received a certificate dated the Closing Date signed by a duly authorized signatory of Borrower stating, to the best of the certifying party's knowledge, the following:

(a) All representations and warranties contained in this Agreement and in each of the other Loan Documents are true and correct on and as of the Closing Date as though made on and as of such date, and

(b) No Default or Event of Default has occurred and is continuing, or could result from the transactions contemplated by this Agreement and the other Loan Documents; and

(12) Supplemental Fee Letter. The Supplemental Fee Letter, duly executed by Borrower.

Section 4.02 Conditions Precedent to Advances After the Initial Advance. The obligation of each Bank to make

advances of the Loans subsequent to the Initial Advance shall be subject to satisfaction of the following conditions precedent:

(1) No Default or Event of Default shall have occurred and be continuing as of the date of the advance;

(2) Each of the representations and warranties contained in this Agreement and in each of the other Loan Documents (other than that in the last sentence of Section 5.13) shall be true and correct as of the date of the advance; and

(3) Administrative Agent shall have received a request for an advance in accordance with Section 2.04.

Section 4.03 Deemed Representations. Each request by Borrower for, and acceptance by Borrower of, an advance of proceeds of the Loans shall constitute a representation and warranty by Borrower that, as of both the date of such request and the date of the advance (1) no Default or Event of Default has occurred and is continuing, and (2) each representation or warranty contained in this Agreement or the other Loan Documents (other than that in the last sentence of Section 5.13) is true and correct.

ARTICLE V. REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Administrative Agent and each Bank as follows:

Section 5.01 Due Organization. Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has the power and authority to own its assets and to transact the business in which it is now engaged, and, if applicable, is duly qualified for the conduct of business and in good standing under the laws of each other jurisdiction in which such qualification is required and where the failure to be so qualified would have a material adverse affect on Borrower and its Consolidated Businesses taken as a whole.

Section 5.02 Power and Authority; No Conflicts; Compliance With Laws. The execution, delivery and performance of the obligations required to be performed by Borrower of the Loan Documents does not and will not (a) require the consent or approval of its shareholders or such consent or approval has been obtained, (b) contravene either its declaration of trust or by-laws, (c) violate any provision of, or require any filing, registration, consent or approval under, any Law (including, without limitation, Regulation U), order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it, (d) result in a breach of or

constitute a default under or require any consent under any indenture or loan or credit agreement or any other agreement, lease or instrument to which it may be a party or by which it or its properties may be bound or affected except for consents which have been obtained, (e) result in, or require, the creation or imposition of any Lien, upon or with respect to any of its properties now owned or hereafter acquired, or (f) cause it to be in default under any such Law, order, writ, judgment, injunction, decree, determination or award or any such indenture, agreement, lease or instrument; to the best of its knowledge, Borrower is in compliance with all Laws applicable to it and its properties where the failure to be in compliance would cause a Material Adverse Change to occur.

Section 5.03 Legally Enforceable Agreements. Each Loan Document is a legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally.

Section 5.04 Litigation. Except as disclosed in Borrower's SEC Reports existing as of the date hereof, there are no actions, suits or proceedings pending or, to its knowledge, threatened against Borrower or any of its Affiliates before any court or arbitrator or any Governmental Authority reasonably likely to have a material effect on Borrower's ability to repay the Loans.

Section 5.05 Good Title to Properties. Borrower and each of its Affiliates have good, marketable and legal title to all of the properties and assets each of them purports to own (including, without limitation, those reflected in the December 31, 1993 financial statements referred to in Section 5.13) and, in the case of all of Borrower's shopping center properties, only with exceptions which do not materially detract from the value of such property or assets or the use thereof in Borrower's and such Affiliate's business, and except to the extent that any such properties and assets have been encumbered or disposed of since the date of such financial statements without violating any of the covenants contained in Article VII or elsewhere in this Agreement. Borrower and its Material Affiliates enjoy peaceful and undisturbed possession of all leased property necessary in any material respect in the conduct of their respective businesses. All such leases are valid and subsisting and are in full force and effect.

Section 5.06 Taxes. Borrower has filed all tax returns (federal, state and local) required to be filed and has paid all taxes, assessments and governmental charges and levies due and payable without the imposition of a penalty, including interest and penalties, except to the extent they are the subject of a Good Faith Contest.

Section 5.07 ERISA. Borrower is in compliance in all material respects with all applicable provisions of ERISA. Neither a Reportable Event nor a Prohibited Transaction has occurred with respect to any Plan; no notice of intent to terminate a Plan has been filed nor has any Plan been terminated within the past five (5) years; no circumstance exists which constitutes grounds under Section 4042 of ERISA entitling the PBGC to institute proceedings to terminate, or appoint a trustee to administer, a Plan, nor has the PBGC instituted any such proceedings; Borrower and the ERISA Affiliates thereof have not completely or partially withdrawn under Sections 4201 or 4204 of ERISA from a Multiemployer Plan; Borrower and the ERISA Affiliates thereof have met the minimum funding requirements of Section 412 of the Code and Section 302 of ERISA of each with respect to the Plans of each and there is no Unfunded Current Liability with respect to any Plan established or maintained by each; and Borrower and the ERISA Affiliates thereof have not incurred any liability to the PBGC under ERISA (other than for the payment of premiums under Section 4007 of ERISA). No part of the funds to be used by Borrower in satisfaction of its obligations under this Agreement constitute "plan assets" of any "employee benefit plan" within the meaning of ERISA or of any "plan" within the meaning of Section 4975(e)(1) of the Code, as interpreted by the Internal Revenue Service and the U.S. Department of Labor in rules, regulations, releases, bulletins or as interpreted under applicable case law.

Section 5.08 No Default on Outstanding Judgments or Orders. Borrower has satisfied all judgments which are not being appealed and is not in default with respect to any judgment, order, writ, injunction, decree, rule or regulation of any court, arbitrator or federal, state, municipal or other Governmental Authority, commission, board, bureau, agency or instrumentality, domestic or foreign.

Section 5.09 No Defaults on Other Agreements. Except as disclosed to the Bank Parties in writing or as disclosed in Borrower's SEC Reports, Borrower, to the best of its knowledge, is not a party to any indenture, loan or credit agreement or any lease or other agreement or instrument or subject to any partnership, trust or other restriction which is likely to result in a Material Adverse Change. To the best of its knowledge, Borrower is not in default in any respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument which is likely to result in a Material Adverse Change.

Section 5.10 Government Regulation. Borrower is not subject to regulation under the Investment Company Act of 1940 or any statute or regulation limiting any such Person's ability to incur indebtedness for money borrowed as contemplated hereby.

Section 5.11 Environmental Protection. To Borrower's knowledge, except as disclosed in Borrower's SEC Reports existing as of the date hereof, none of Borrower's or its Affiliates' properties contains any Hazardous Materials that, under any Environmental Law currently in effect, (1) would impose liability on Borrower that is likely to result in a Material Adverse Change, or (2) is likely to result in the imposition of a Lien on any assets of Borrower or its Material Affiliates that is likely to result in a Material Adverse Change. To Borrower's knowledge, neither it nor any of its Material Affiliates is in violation of, or subject to any existing, pending or threatened investigation or proceeding by any Governmental Authority under any Environmental Law that is likely to result in a Material Adverse Change.

Section 5.12 Solvency. Borrower is, and upon consummation of the transactions contemplated by this Agreement, the other Loan Documents and any other documents, instruments or agreements relating thereto, will be, Solvent.

Section 5.13 Financial Statements. The VRT Consolidated Financial Statements most recently delivered to the Banks pursuant to the terms of this Agreement are in all material respects complete and correct and fairly present the financial condition of the subjects thereof as of the dates of and for the periods covered by such statements, all in accordance with GAAP. There has been no Material Adverse Change since the date of such most recently delivered VRT Consolidated Financial Statements.

Section 5.14 Valid Existence of Affiliates. Each Material Affiliate is a corporation duly organized and existing in good standing under the laws of the jurisdiction of its formation. As to each Material Affiliate, its correct name, the jurisdiction of its formation, Borrower's percentage of beneficial interest therein, and the type of business in which it is primarily engaged, are set forth on said EXHIBIT C. Borrower and each of its Material Affiliates have the power to own their respective properties and to carry on their respective businesses now being conducted. Each Material Affiliate is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the respective businesses conducted by it or its respective properties, owned or held under lease, make such qualification necessary and where the failure to be so qualified would have the effect of a Material Adverse Change on Borrower and its Consolidated Businesses taken as a whole.

Section 5.15 Insurance. Borrower and each of its Affiliates has in force paid insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated.

Section 5.16 Accuracy of Information; Full Disclosure. Neither this Agreement nor any documents, financial statements, reports, notices, schedules, certificates, statements or other writings furnished by or on behalf of Borrower to Administrative Agent or any Bank in connection with the negotiation of this Agreement or the consummation of the transactions contemplated hereby, or required herein to be furnished by or on behalf of Borrower (other than projections which are made by Borrower in good faith), contains any untrue or misleading statement of a material fact or omits a material fact necessary to make the statements herein or therein not misleading. There is no fact which Borrower has not disclosed to Administrative Agent and the Banks in writing or which is not included in Borrower's SEC Reports which materially affects adversely nor, so far as Borrower can now foresee, will materially affect adversely the business or financial condition of Borrower or the ability of Borrower to perform this Agreement and the other Loan Documents.

ARTICLE VI. AFFIRMATIVE COVENANTS

So long as any of the Notes shall remain unpaid or the Loan Commitments remain in effect, or any other amount is owing by Borrower to any Bank hereunder or under any other Loan Document, Borrower shall:

Section 6.01 Maintenance of Existence. Preserve and maintain its legal existence and, if applicable, good standing in the jurisdiction of organization and, if applicable, qualify and remain qualified as a foreign corporation in each jurisdiction in which such qualification is required, except to the extent that failure to so qualify is not likely to result in a Material Adverse Change.

Section 6.02 Maintenance of Records. Keep adequate records and books of account, in which complete entries will be made in accordance with GAAP, reflecting all of its financial transactions.

Section 6.03 Maintenance of Insurance. At all times, maintain and keep in force, and cause each of its Material Affiliates to maintain and keep in force, insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated, which insurance may provide for reasonable deductibility from coverage thereof.

Section 6.04 Compliance with Laws; Payment of Taxes. Comply in all material respects with all Laws applicable to it or to any of its properties or any part thereof, such compliance to include, without limitation, paying before the same become

delinquent all taxes, assessments and governmental charges imposed upon it or upon its property, except to the extent they are the subject of a Good Faith Contest.

Section 6.05 Right of Inspection. At any reasonable time and from time to time upon reasonable notice, permit Administrative Agent or any Bank or any agent or representative thereof (provided that, at Borrower's request, such Administrative Agent, Bank, agent or representative must be accompanied by a representative of Borrower), to examine and make copies and abstracts from the records and books of account of, and visit the properties of, Borrower and to discuss the affairs, finances and accounts of Borrower with the independent accountants of Borrower.

Section 6.06 Compliance With Environmental Laws. Comply in all material respects with all applicable Environmental Laws and immediately pay or cause to be paid all costs and expenses incurred in connection with such compliance, except to the extent there is a Good Faith Contest.

Section 6.07 Payment of Costs. Pay all costs and expenses required for the satisfaction of the conditions of this Agreement.

Section 6.08 Maintenance of Properties. Do all things reasonably necessary to maintain, preserve, protect and keep its and its Affiliates' properties in good repair, working order and condition.

Section 6.09 Reporting and Miscellaneous Document Requirements. Furnish directly to each of the Banks:

(1) Annual Financial Statements. As soon as available and in any event within ninety (90) days after the end of each Fiscal Year, the VRT Consolidated Financial Statements as of the end of and for such Fiscal Year, in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the prior Fiscal Year and audited by Borrower's Accountants;

(2) Quarterly Financial Statements. As soon as available and in any event within forty-five (45) days after the end of each calendar quarter (other than the last quarter of the Fiscal Year), the unaudited VRT Consolidated Financial Statements as of the end of and for such calendar quarter, in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the prior Fiscal Year;

(3) Certificate of No Default and Financial Compliance. Within fifty (50) days after the end of each of the first three quarters of each Fiscal Year and within ninety-five (95) days after the end of each Fiscal Year, a certificate of

Borrower's chief financial officer or treasurer (a) stating that, to the best of his or her knowledge, no Default or Event of Default has occurred and is continuing, or if a Default or Event of Default has occurred and is continuing, specifying the nature thereof and the action which is proposed to be taken with respect thereto; (b) stating that the covenants contained in Section 6.10, Sections 7.02, 7.03 and 7.04 and in Article VIII have been complied with (or specifying those that have not been complied with) and including computations demonstrating such compliance (or non-compliance); (c) setting forth the details of all items comprising Total Outstanding Indebtedness (including amount, maturity, interest rate and amortization requirements), Secured Indebtedness, Unencumbered Combined EBITDA, Interest Expense and Unsecured Indebtedness; (d) containing a schedule of the calculation, prepared by property, of Shopping Center EBITDA; and (e) only at the end of each Fiscal Year stating Borrower's taxable income;

(4) Certificate of Borrower's Accountants. Simultaneously with the delivery of the annual financial statements required by paragraph (1) of this Section, (a) a statement of Borrower's Accountants who audited such financial statements comparing the computations set forth in the financial compliance certificate required by paragraphs (3)(b) and (d) of this Section to the audited financial statements required by paragraph (1) of this Section and (b) when the audited financial statements required by paragraph (1) of this Section have a qualified auditor's opinion, a statement of Borrower's Accountants who audited such financial statements of whether any Default or Event of Default has occurred and is continuing;

(5) Notice of Litigation. Promptly after the commencement and knowledge thereof, notice of all actions, suits, and proceedings before any court or arbitrator, affecting Borrower which, if determined adversely to Borrower is likely to result in a Material Adverse Change and which would be required to be reported in Borrower's SEC Reports;

(6) Notices of Defaults and Events of Default. As soon as possible and in any event within ten (10) days after Borrower becomes aware of the occurrence of a material Default or any Event of Default a written notice setting forth the details of such Default or Event of Default and the action which is proposed to be taken with respect thereto;

(7) Sales or Acquisitions of Assets. Promptly after the occurrence thereof, written notice of any Disposition or acquisition of assets (other than acquisitions or Dispositions of investments such as certificates of deposit, Treasury securities and money market deposits in the ordinary course of Borrower's cash management) in excess of Twenty Five Million Dollars (\$25,000,000) together with, in the case of any acquisition of such an asset, copies of the agreements governing the acquisition

and historical financial information and Borrower's projections with respect to the property acquired;

(8) Material Adverse Change. As soon as is practicable and in any event within five (5) days after knowledge of the occurrence of any event or circumstance which is likely to result in or has resulted in a Material Adverse Change and which would be required to be reported in Borrower's SEC Reports, written notice thereof;

(9) Bankruptcy of Tenants. Promptly after becoming aware of the same, written notice of the bankruptcy, insolvency or cessation of operations of any tenant in any property of Borrower or in which Borrower has an interest to which four percent (4%) or more of aggregate minimum rent payable to Borrower directly or through its Consolidated Businesses or UJVs is attributable;

(10) Offices. Thirty (30) days' prior written notice of any change in the chief executive office or principal place of business of Borrower;

(11) Environmental and Other Notices. As soon as possible and in any event within thirty (30) days after receipt, copies of all Environmental Notices received by Borrower which are not received in the ordinary course of business and which relate to a previously undisclosed situation which is likely to result in a Material Adverse Change;

(12) Insurance Coverage. Promptly, such information concerning Borrower's insurance coverage as Administrative Agent may reasonably request;

(13) Proxy Statements, Etc. Promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports which Borrower or its Material Affiliates sends to its shareholders, and copies of all regular, periodic and special reports, and all registration statements which Borrower or its Material Affiliates files with the Securities and Exchange Commission or any Governmental Authority which may be substituted therefor, or with any national securities exchange;

(14) Rent Rolls. As soon as available and in any event within ninety (90) days after the end of each Fiscal Year, a rent roll, tenant sales report and operating statement for each property directly or indirectly owned in whole or in part by Borrower;

(15) Capital Expenditures. As soon as available and in any event within ninety (90) days after the end of each Fiscal Year, a schedule of such Fiscal Year's capital expenditures and a budget for the next Fiscal Year's planned capital expenditures

for each property directly or indirectly owned in whole or in part by Borrower; and

(16) General Information. Promptly, such other information respecting the condition or operations, financial or otherwise, of Borrower or any properties of Borrower as Administrative Agent may from time to time reasonably request.

Section 6.10 Shopping Center EBITDA. If for any calendar quarter, Shopping Center EBITDA is less than \$2,812,500 for such quarter, then (a) thereafter, until Shopping Center EBITDA is again greater than \$2,812,500 for a calendar quarter, the Loan Commitment shall be reduced to be an amount equal to the quotient determined by dividing Shopping Center EBITDA from time to time by three and three quarters percent (3-3/4%) and (b) if the outstanding principal amount of the Loans exceeds the reduced amount of the Loan Commitment calculated pursuant to (a) above, Borrower shall reduce the outstanding principal amount of the Loans to such reduced Loan Commitment amount within ten days after Administrative Agent's notice to Borrower to make such principal reduction.

Section 6.11 Management. At all times, Borrower or its Affiliates shall provide property management and leasing services for at least eighty percent (80%) of the community shopping center properties then owned, directly or indirectly, in whole or in part by Borrower.

ARTICLE VII. NEGATIVE COVENANTS

So long as any of the Notes shall remain unpaid, or the Loan Commitments remain in effect, or any other amount is owing by Borrower to Administrative Agent or any Bank hereunder or under any other Loan Document, Borrower shall not do any or all of the following:

Section 7.01 Mergers Etc. Merge or consolidate with (except where Borrower is the surviving entity), or sell, assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) (or enter into any agreement to do any of the foregoing).

Section 7.02 Investments. Make any loan or advance to any Person or purchase or otherwise acquire any capital stock, assets, obligations or other securities of, make any capital contribution to, or otherwise invest in, or acquire any interest in, any Person (any such transaction, an "Investment") if such Investment constitutes the acquisition of a minority interest in a Person (a "Minority Interest") and the amount of such Investment, together with the value of all other Minority Interests acquired after the Closing Date contributing to Equity

Value, would exceed fifteen percent (15%) of Total Market Capitalization. A fifty percent (50%) beneficial interest in a Person, in connection with which the holder thereof exercises joint control over such Person with the holder(s) of the other fifty percent (50%) beneficial interest, shall not constitute a "Minority Interest" for purposes of this Section.

Section 7.03 Sale of Assets. Effect a Disposition of any of its now owned or hereafter acquired assets (other than "margin stock" as defined in Regulation U), including assets in which Borrower owns a beneficial interest through its ownership of interests in joint ventures, aggregating more than twenty five percent (25%) of Total Market Capitalization.

Section 7.04 Encumbrance of Certain Assets. At any time, effect a Disposition of, mortgage, hypothecate or otherwise encumber to secure a Debt (it being understood that, for purposes of this Section, an asset shall be deemed "encumbered" if it is the subject of a pledge not to encumber) any of the properties listed on EXHIBIT F hereof.

ARTICLE VIII. FINANCIAL COVENANTS

So long as any of the Notes shall remain unpaid, or the Loan Commitments remain in effect, or any other amount is owing by Borrower to Administrative Agent or any Bank under this Agreement or under any other Loan Document, Borrower shall not permit or suffer:

Section 8.01 Equity Value. At any time, Equity Value to be less than Five Hundred Million Dollars (\$500,000,000); or

Section 8.02 Relationship of Total Outstanding Indebtedness to Equity Value. At any time, Total Outstanding Indebtedness to exceed fifty percent (50%) of Equity Value; or

Section 8.03 Relationship of Secured Indebtedness to Equity Value. At any time, Secured Indebtedness to exceed thirty five percent (35%) of Equity Value; or

Section 8.04 Relationship of Combined EBITDA to Interest Expense. For any calendar quarter, the ratio of (1) Combined EBITDA to (2) Interest Expense, each for such calendar quarter, to be less than 2.25 to 1.00; or

Section 8.05 Relationship of Combined EBITDA to Total Outstanding Indebtedness. For any calendar quarter, the ratio (expressed as a percentage) of (1) Combined EBITDA for such calendar quarter annualized, to (2) Total Outstanding Indebtedness as of the end of such calendar quarter to be less than fifteen percent (15%); or

Section 8.06 Funds From Operations. For any calendar quarter, Funds From Operations for such calendar quarter to be less than Ten Million Dollars (\$10,000,000); or

Section 8.07 Unsecured Debt Yield. For any calendar quarter, Unsecured Debt Yield for such calendar quarter to be less than ten percent (10%); or

Section 8.08 Relationship of Unencumbered Combined EBITDA to Interest Expense on Unsecured Indebtedness. For any calendar quarter, the ratio of (1) Unencumbered Combined EBITDA to (2) that portion of Interest Expense attributable to Unsecured Indebtedness, each for such calendar quarter, to be less than 1.40 to 1.00.

ARTICLE IX. EVENTS OF DEFAULT

Section 9.01 Events of Default. Any of the following events shall be an "Event of Default":

(1) If Borrower shall: fail to pay the principal of any Notes or any payment required under Section 6.10 as and when due; or fail to pay interest accruing on any Notes as and when due and such failure to pay shall continue unremedied for five (5) days after the due date of such amount; or fail to pay any fee or any other amount due under this Agreement or any other Loan Document as and when due and such failure to pay shall continue unremedied for two (2) days after notice by Administrative Agent of such failure to pay; or

(2) If any representation or warranty made by Borrower in this Agreement or in any other Loan Document or which is contained in any certificate, document, opinion, financial or other statement furnished at any time under or in connection with a Loan Document shall prove to have been incorrect in any material respect on or as of the date made; or

(3) If Borrower shall fail (a) to perform or observe any term, covenant or agreement contained in Section 6.11, Article VII or Article VIII; or (b) to perform or observe any term, covenant or agreement contained in this Agreement (other than obligations specifically referred to elsewhere in this Section 9.01) and such failure shall remain unremedied for thirty (30) consecutive calendar days after notice thereof; provided, however, that if any such default under clause (b) above cannot by its nature be cured within such thirty (30) day grace period and so long as Borrower shall have commenced cure within such thirty (30) day grace period and shall, at all times thereafter, diligently prosecute the same to completion, Borrower shall have an additional period to cure such default; in no event, however, is the foregoing intended to effect an extension of the Maturity Date; or

(4) If Borrower shall fail (a) to pay any Debt (other than the payment obligations described in paragraph (1) of this Section) in an amount equal to or greater than Ten Million Dollars (\$10,000,000) when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) after the expiration of any applicable grace period, or (b) to perform or observe any material term, covenant, or condition under any agreement or instrument relating to any such Debt, when required to be performed or observed, if the effect of such failure to perform or observe is to accelerate, or to permit the acceleration of, after the giving of notice or the lapse of time, or both (other than in cases where, in the judgment of the Required Banks, meaningful discussions likely to result in (i) a waiver or cure of the failure to perform or observe, or (ii) otherwise averting such acceleration are in progress between Borrower and the obligee of such Debt), the maturity of such Debt, or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled or otherwise required prepayment), prior to the stated maturity thereof; or

(5) If Borrower, or any Affiliate of Borrower (other than Alexander's, Inc. and its subsidiaries) to which Fifty Million Dollars (\$50,000,000) or more of Total Market Capitalization is attributable, shall: (a) generally not, or be unable to, or shall admit in writing its inability to, pay its debts as such debts become due; or (b) make an assignment for the benefit of creditors, petition or apply to any tribunal for the appointment of a custodian, receiver or trustee for it or a substantial part of its assets; or (c) commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or (d) have had any such petition or application filed or any such proceeding shall have been commenced, against it, in which an adjudication or appointment is made or order for relief is entered, or which petition, application or proceeding remains undismissed or unstayed for a period of sixty (60) days or more; or (e) be the subject of any proceeding under which all or a substantial part of its assets may be subject to seizure, forfeiture or divestiture; or (f) by any act or omission indicate its consent to, approval of or acquiescence in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or trustee for all or any substantial part of its property; or (g) suffer any such custodianship, receivership or trusteeship for all or any substantial part of its property, to continue undischarged for a period of sixty (60) days or more; or

(6) If one or more judgments, decrees or orders for the payment of money in excess of Ten Million Dollars (\$10,000,000) in the aggregate shall be rendered against Borrower, and any such judgments, decrees or orders shall

continue unsatisfied and in effect for a period of thirty (30) consecutive days without being vacated, discharged, satisfied or stayed or bonded pending appeal; or

(7) If any of the following events shall occur or exist with respect to Borrower, or any ERISA Affiliate of Borrower: (a) any Prohibited Transaction involving any Plan; (b) any Reportable Event with respect to any Plan; (c) the filing under Section 4041 of ERISA of a notice of intent to terminate any Plan or the termination of any Plan; (d) any event or circumstance which might constitute grounds entitling the PBGC to institute proceedings under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan, or the institution by the PBGC of any such proceedings; or (e) complete or partial withdrawal under Section 4201 or 4204 of ERISA from a Multiemployer Plan or the reorganization, insolvency, or termination of any Multiemployer Plan; and in each case above, if such event or conditions, if any, could in the opinion of any Bank subject Borrower or any ERISA Affiliate of Borrower to any tax, penalty, or other liability to a Plan, Multiemployer Plan, the PBGC or otherwise (or any combination thereof) which in the aggregate exceeds or may exceed Fifty Thousand Dollars (\$50,000); or

(8) If at any time Borrower is not a qualified real estate investment trust under Sections 856 through 860 of the Code or is not listed on the New York Stock Exchange; or

(9) If at any time Borrower constitutes plan assets for ERISA purposes (within the meaning of C.F.R. Section 2510.3-101).

Section 9.02 Remedies. If any Event of Default shall occur and be continuing, Administrative Agent shall, upon request of the Required Banks, by notice to Borrower, (1) declare the unpaid balance of the Notes, all interest thereon, and all other amounts payable under this Agreement to be forthwith due and payable, whereupon such balance, all such interest, and all such amounts due under this Agreement shall become and be forthwith due and payable, without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by Borrower; and/or (2) exercise any remedies provided in any of the Loan Documents or by law.

ARTICLE X. ADMINISTRATIVE AGENT; RELATIONS AMONG BANKS

Section 10.01 Appointment, Powers and Immunities of Administrative Agent. Each Bank hereby irrevocably appoints and authorizes Administrative Agent to act as its agent hereunder and under any other Loan Document with such powers as are specifically delegated to Administrative Agent by the terms of this Agreement and any other Loan Document, together with such other powers as are reasonably incidental thereto.

Administrative Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and any other Loan Document or required by law, and shall not by reason of this Agreement be a fiduciary or trustee for any Bank except to the extent that Administrative Agent acts as an agent with respect to the receipt or payment of funds. Administrative Agent shall not be responsible to the Banks for any recitals, statements, representations or warranties made by Borrower or any officer, partner or official of Borrower or any other Person contained in this Agreement or any other Loan Document, or in any certificate or other document or instrument referred to or provided for in, or received by any of them under, this Agreement or any other Loan Document, or for the value, legality, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or any other document or instrument referred to or provided for herein or therein, for the perfection or priority of any Lien securing the Obligations or for any failure by Borrower to perform any of its obligations hereunder or thereunder. Administrative Agent may employ agents and attorneys-in-fact and shall not be responsible, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither Administrative Agent nor any of its directors, officers, employees or agents shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith, except for its or their own gross negligence or willful misconduct. Borrower shall pay any fee agreed to by Borrower and Administrative Agent with respect to Administrative Agent's services hereunder.

Section 10.02 Reliance by Administrative Agent. Administrative Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by Administrative Agent. Administrative Agent may deem and treat each Bank as the holder of the Loan made by it for all purposes hereof and shall not be required to deal with any Person who has acquired a participation in any Loan or participation from a Bank. As to any matters not expressly provided for by this Agreement or any other Loan Document, Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder in accordance with instructions signed by the Required Banks, and such instructions of the Required Banks and any action taken or failure to act pursuant thereto shall be binding on all of the Banks and any other holder of all or any portion of any Loan or participation.

Section 10.03 Defaults. Administrative Agent shall not be deemed to have knowledge of the occurrence of a Default or Event of Default unless Administrative Agent has received notice from a Bank or Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default." In the event that Administrative Agent receives such a notice of the occurrence of a Default or Event of Default, Administrative Agent shall give prompt notice thereof to the Banks. Administrative Agent, following consultation with the Banks, shall (subject to Section 10.07) take such action with respect to such Default or Event of Default which is continuing as shall be directed by the Required Banks; provided that, unless and until Administrative Agent shall have received such directions, Administrative Agent may take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interest of the Banks; and provided further that Administrative Agent shall not send a notice of Default or acceleration to Borrower without the approval of the Required Banks. In no event shall Administrative Agent be required to take any such action which it determines to be contrary to law.

Section 10.04 Rights of Administrative Agent as a Bank. With respect to its Loan Commitment and the Loan provided by it, Administrative Agent in its capacity as a Bank hereunder shall have the same rights and powers hereunder as any other Bank and may exercise the same as though it were not acting as Administrative Agent, and the term "Bank" or "Banks" shall, unless the context otherwise indicates, include Administrative Agent in its capacity as a Bank. Administrative Agent and its Affiliates may (without having to account therefor to any Bank) accept deposits from, lend money to (on a secured or unsecured basis), and generally engage in any kind of banking, trust or other business with Borrower (and any Affiliates of Borrower) as if it were not acting as Administrative Agent.

Section 10.05 Indemnification of Administrative Agent. Each Bank agrees to indemnify Administrative Agent (to the extent not reimbursed under Section 12.04 or under the applicable provisions of any other Loan Document, but without limiting the obligations of Borrower under Section 12.04 or such provisions), for its Pro Rata Share of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against Administrative Agent in any way relating to or arising out of this Agreement, any other Loan Document or any other documents contemplated by or referred to herein or the transactions contemplated hereby or thereby (including, without limitation, the costs and expenses which Borrower is obligated to pay under Section 12.04) or under the applicable provisions of any other Loan Document or the enforcement of any of the terms hereof or thereof or of any such other documents or instruments; provided that no Bank shall be

liable for (1) any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified, (2) any loss of principal or interest with respect to Administrative Agent's Loan or (3) any loss suffered by Administrative Agent in connection with a swap or other interest rate hedging arrangement entered into with Borrower.

Section 10.06 Non-Reliance on Administrative Agent and Other Banks. Each Bank agrees that it has, independently and without reliance on Administrative Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis of Borrower and the decision to enter into this Agreement and that it will, independently and without reliance upon Administrative Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any other Loan Document. Administrative Agent shall not be required to keep itself informed as to the performance or observance by Borrower of this Agreement or any other Loan Document or any other document referred to or provided for herein or therein or to inspect the properties or books of Borrower. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by Administrative Agent hereunder, Administrative Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the affairs, financial condition or business of Borrower (or any Affiliate of Borrower) which may come into the possession of Administrative Agent or any of its Affiliates. Administrative Agent shall not be required to file this Agreement, any other Loan Document or any document or instrument referred to herein or therein, for record or give notice of this Agreement, any other Loan Document or any document or instrument referred to herein or therein, to anyone.

Section 10.07 Failure of Administrative Agent to Act. Except for action expressly required of Administrative Agent hereunder, Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall have received further assurances (which may include cash collateral) of the indemnification obligations of the Banks under Section 10.05 in respect of any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

Section 10.08 Resignation or Removal of Administrative Agent. Administrative Agent hereby agrees not to unilaterally resign except in the event it becomes an Affected Bank and is removed or replaced as a Bank pursuant to Section 3.07, in which event it shall have the right to resign. Administrative Agent may be removed at any time with or without cause by the Required Banks, provided that Borrower and the other Banks shall be promptly notified thereof. Upon any such removal, the Required

Banks shall have the right to appoint a successor Administrative Agent which successor Administrative Agent, so long as it is reasonably acceptable to the Required Banks, shall be that Bank then having the greatest Loan Commitment. If no successor Administrative Agent shall have been so appointed by the Required Banks and shall have accepted such appointment within thirty (30) days after the Required Banks' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent, which shall be one of the Banks. The Required Banks or the retiring Administrative Agent, as the case may be, shall upon the appointment of a successor Administrative Agent promptly so notify Borrower and the other Banks. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's removal hereunder as Administrative Agent, the provisions of this Article X shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

Section 10.09 Amendments Concerning Agency Function.

Notwithstanding anything to the contrary contained in this Agreement, Administrative Agent shall not be bound by any waiver, amendment, supplement or modification of this Agreement or any other Loan Document which affects its duties, rights, and/or function hereunder or thereunder unless it shall have given its prior written consent thereto.

Section 10.10 Liability of Administrative Agent.

Administrative Agent shall not have any liabilities or responsibilities to Borrower on account of the failure of any Bank to perform its obligations hereunder or to any Bank on account of the failure of Borrower to perform its obligations hereunder or under any other Loan Document.

Section 10.11 Transfer of Agency Function.

Without the consent of Borrower or any Bank, Administrative Agent may at any time or from time to time transfer its functions as Administrative Agent hereunder to any of its offices wherever located in the United States, provided that Administrative Agent shall promptly notify Borrower and the Banks thereof.

Section 10.12 Non-Receipt of Funds by Administrative Agent.

Unless Administrative Agent shall have received notice from a Bank or Borrower (either one as appropriate being the "Payor") prior to the date on which such Bank is to make payment hereunder to Administrative Agent of the proceeds of a Loan or Borrower is to make payment to Administrative Agent, as the case may be (either such payment being a "Required Payment"), which

notice shall be effective upon receipt, that the Payor will not make the Required Payment in full to Administrative Agent, Administrative Agent may assume that the Required Payment has been made in full to Administrative Agent on such date, and Administrative Agent in its sole discretion may, but shall not be obligated to, in reliance upon such assumption, make the amount thereof available to the intended recipient on such date. If and to the extent the Payor shall not have in fact so made the Required Payment in full to Administrative Agent, the recipient of such payment shall repay to Administrative Agent forthwith on demand such amount made available to it together with interest thereon, for each day from the date such amount was so made available by Administrative Agent until the date Administrative Agent recovers such amount, at the customary rate set by Administrative Agent for the correction of errors among Banks for three (3) Banking Days and thereafter at the Base Rate.

Section 10.13 Withholding Taxes. Each Bank represents at all times during the term of this Agreement that it is entitled to receive any payments to be made to it hereunder without the withholding of any tax and will furnish to Administrative Agent and Borrower such forms, certifications, statements and other documents as Administrative Agent or Borrower may request from time to time to evidence such Bank's exemption from the withholding of any tax imposed by any jurisdiction or to enable Administrative Agent or Borrower to comply with any applicable Laws or regulations relating thereto. Without limiting the effect of the foregoing, if any Bank is not created or organized under the laws of the United States of America or any state thereof, such Bank will furnish to Administrative Agent and Borrower a United States Internal Revenue Service Form 4224 in respect of all payments to be made to such Bank by Borrower or Administrative Agent under this Agreement or any other Loan Document or a United States Internal Revenue Service Form 1001 establishing such Bank's complete exemption from United States withholding tax in respect of payments to be made to such Bank by Borrower or Administrative Agent under this Agreement or any other Loan Document, or such other forms, certifications, statements or documents, duly executed and completed by such Bank as evidence of such Bank's exemption from the withholding of U.S. tax with respect thereto. Administrative Agent shall not be obligated to make any payments hereunder to such Bank in respect of any Loan or participation or such Bank's Loan Commitment or obligation to purchase participations until such Bank shall have furnished to Administrative Agent and Borrower the requested form, certification, statement or document.

Section 10.14 Minimum Commitment by UBS. Subsequent to the Closing Date, UBS hereby agrees to maintain a Loan Commitment in an amount no less than 40% of the Total Loan Commitment, as the same may be decreased from time to time in accordance with the provisions of this Agreement, and further

agrees to hold and not to participate or assign any of such amount other than an assignment to a Federal Reserve Bank or to the Parent or a majority-owned subsidiary of UBS.

Section 10.15 Pro Rata Treatment. Except to the extent otherwise provided, (1) each advance of proceeds of the Loans shall be made by the Banks, (2) each reduction of the amount of the Total Loan Commitment under Section 2.10 shall be applied to the Loan Commitments of the Banks, and (3) each payment of the commitment fee accruing under Section 2.07(b) shall be made for the account of the Banks, ratably according to the amounts of their respective Loan Commitments.

Section 10.16 Sharing of Payments Among Banks. If a Bank shall obtain payment of any principal of or interest on any Loan made by it through the exercise of any right of setoff, banker's lien, counterclaim, or by any other means (including direct payment), and such payment results in such Bank receiving a greater payment than it would have been entitled to had such payment been paid directly to Administrative Agent for disbursement to the Banks, then such Bank shall promptly purchase for cash from the other Banks participations in the Loans made by the other Banks in such amounts, and make such other adjustments from time to time as shall be equitable to the end that all the Banks shall share ratably the benefit of such payment. To such end the Banks shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. Borrower agrees that any Bank so purchasing a participation in the Loans made by other Banks may exercise all rights of setoff, banker's lien, counterclaim or similar rights with respect to such participation. Nothing contained herein shall require any Bank to exercise any such right or shall affect the right of any Bank to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness of Borrower.

Section 10.17 Possession of Documents. Each Bank shall keep possession of its own Note. Administrative Agent shall hold all the other Loan Documents and related documents in its possession and maintain separate records and accounts with respect thereto, and shall permit the Banks and their representatives access at all reasonable times to inspect such Loan Documents, related documents, records and accounts.

ARTICLE XI. NATURE OF OBLIGATIONS

Section 11.01 Absolute and Unconditional Obligations. Borrower acknowledges and agrees that its obligations and liabilities under this Agreement and under the other Loan Documents shall be absolute and unconditional irrespective of: (1) any lack of validity or enforceability of any of the Obligations, any Loan Documents, or any agreement or instrument

relating thereto; (2) any change in the time, manner or place of payment of, or in any other term in respect of, all or any of the Obligations, or any other amendment or waiver of or consent to any departure from any Loan Documents or any other documents or instruments executed in connection with or related to the Obligations; (3) any exchange or release of any collateral, if any, or of any other Person from all or any of the Obligations; or (4) any other circumstances which might otherwise constitute a defense available to, or a discharge of, Borrower or any other Person in respect of the Obligations.

The obligations and liabilities of Borrower under this Agreement and other Loan Documents shall not be conditioned or contingent upon the pursuit by any Bank or any other Person at any time of any right or remedy against Borrower or any other Person which may be or become liable in respect of all or any part of the Obligations or against any collateral or security or guarantee therefor or right of setoff with respect thereto.

Section 11.02 Non-Recourse to VRT Principals. Notwithstanding anything to the contrary contained in this Agreement, in any of the other Loan Documents, or in any other instruments, certificates, documents or agreements executed in connection with the Loans (all of the foregoing, for purposes of this Section, hereinafter referred to, individually and collectively, as the "Relevant Documents"), no recourse under or upon any Obligation, representation, warranty, promise or other matter whatsoever shall be had against any of the VRT Principals and each Bank expressly waives and releases, on behalf of itself and its successors and assigns, all right to assert any liability whatsoever under or with respect to the Relevant Documents against, or to satisfy any claim or obligation arising thereunder against, any of the VRT Principals or out of any assets of the VRT Principals, provided, however, that nothing in this Section shall be deemed to: (1) release Borrower from any personal liability pursuant to, or from any of its respective obligations under, the Relevant Documents, or from personal liability for its fraudulent actions or fraudulent omissions; (2) release any VRT Principals from personal liability for its or his own fraudulent actions or fraudulent omissions; (3) constitute a waiver of any obligation evidenced or secured by, or contained in, the Relevant Documents or affect in any way the validity or enforceability of the Relevant Documents; or (4) limit the right of Administrative Agent and/or the Banks to proceed against or realize upon any collateral hereafter given for the Loans or any and all of the assets of Borrower (notwithstanding the fact that the VRT Principals have an ownership interest in Borrower and, thereby, an interest in the assets of Borrower) or to name Borrower (or, to the extent that the same are required by applicable law or are determined by a court to be necessary parties in connection with an action or suit against Borrower or any collateral hereafter given for the Loans, any of the VRT Principals) as a party defendant in, and to enforce against any collateral hereafter

given for the Loans and/or assets of Borrower any judgment obtained by Administrative Agent and/or the Banks with respect to, any action or suit under the Relevant Documents so long as no judgment shall be taken (except to the extent taking a judgment is required by applicable law or determined by a court to be necessary to preserve Administrative Agent's and/or Banks' rights against any collateral hereafter given for the Loans or Borrower, but not otherwise) or shall be enforced against the VRT Principals or their assets.

ARTICLE XII. MISCELLANEOUS

Section 12.01 Binding Effect of Request for Advance. Borrower agrees that, by its acceptance of any advance of proceeds of the Loans under this Agreement, it shall be bound in all respects by the request for advance submitted on its behalf in connection therewith with the same force and effect as if Borrower had itself executed and submitted the request for advance and whether or not the request for advance is executed and/or submitted by an authorized person.

Section 12.02 Amendments and Waivers. No amendment or material waiver of any provision of this Agreement or any other Loan Document nor consent to any material departure by Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Banks and, solely for purposes of its acknowledgment thereof, Administrative Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given, provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Banks do any of the following: (1) reduce the principal of, or interest on, the Notes or any fees due hereunder or any other amount due hereunder or under any Loan Document; (2) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees due hereunder or under any Loan Document, or waive any default in the payment of principal, interest or any other amount due hereunder or under any Loan Documents; (3) change the definition of Required Banks; (4) amend this Section or any other provision requiring the consent of all the Banks; or (5) waive any default under paragraph (5) of Section 9.01. Any advance of proceeds of the Loans made prior to or without the fulfillment by Borrower of all of the conditions precedent thereto, whether or not known to Administrative Agent and the Banks, shall not constitute a waiver of the requirement that all conditions, including the non-performed conditions, shall be required with respect to all future advances. No failure on the part of Administrative Agent or any Bank to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof or preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 12.03 Usury. Anything herein to the contrary notwithstanding, the obligations of Borrower under this Agreement and the Notes shall be subject to the limitation that payments of interest shall not be required to the extent that receipt thereof would be contrary to provisions of law applicable to a Bank limiting rates of interest which may be charged or collected by such Bank.

Section 12.04 Expenses; Indemnification. Borrower agrees to reimburse Administrative Agent on demand for all costs, expenses, and charges (including, without limitation, all reasonable fees and charges of engineers, appraisers and external legal counsel) incurred by Administrative Agent in connection with the Loans and to reimburse each of the Banks for reasonable legal costs, expenses and charges incurred by each of the Banks in connection with the performance or enforcement of this Agreement, the Notes, or any other Loan Documents; provided, however, that Borrower is not responsible for costs, expenses and charges incurred by the Bank Parties in connection with the administration or syndication of the Loans (other than the administration fee required by Section 2.07(c)). Borrower agrees to indemnify Administrative Agent and each Bank and their respective directors, officers, employees and agents from, and hold each of them harmless against, any and all losses, liabilities, claims, damages or expenses incurred by any of them arising out of or by reason of (x) any claims by brokers due to acts or omissions by Borrower, or (y) any investigation or litigation or other proceedings (including any threatened investigation or litigation or other proceedings) relating to any actual or proposed use by Borrower of the proceeds of the Loans, including without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation or litigation or other proceedings (but excluding any such losses, liabilities, claims, damages or expenses incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified).

The obligations of Borrower under this Section shall survive the repayment of all amounts due under or in connection with any of the Loan Documents and the termination of the Loans.

Section 12.05 Assignment; Participation. This Agreement shall be binding upon, and shall inure to the benefit of, Borrower, Administrative Agent, the Banks and their respective successors and permitted assigns. Borrower may not assign or transfer its rights or obligations hereunder.

Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Loan (the "Participations"). In the event of any such grant by a Bank of a participating interest to a Participant, whether or not Borrower or Administrative Agent was given notice, such Bank shall remain responsible for the performance of its

obligations hereunder, and Borrower and Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations hereunder. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of Borrower hereunder and under any other Loan Document including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement or any other Loan Document; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in Section 12.02 without the consent of the Participant.

Subject to the provisions of Section 10.14, any Bank having a Loan Commitment in an amount of Fifteen Million Dollars (\$15,000,000) or more may at any time assign to any bank or other institution with the acknowledgment of Administrative Agent and the consent of Borrower and UBS, which consent shall not be unreasonably withheld or delayed (such assignee, a "Consented Assignee"), or to one or more banks or other institutions which are majority owned subsidiaries of a Bank or to the Parent of a Bank (each Consented Assignee or subsidiary bank or institution, an "Assignee") all, or a proportionate part of all, of its rights and obligations under this Agreement and its Note, and such Assignee shall assume rights and obligations, pursuant to an Assignment and Assumption Agreement executed by such Assignee and the Bank, provided that, in each case, after giving effect to such assignment each Bank's and each Assignee's portion of the Loan will be equal to or greater than Five Million Dollars (\$5,000,000). Upon execution and delivery of such instrument and payment by such Assignee to the Bank of an amount equal to the purchase price agreed between the Bank and such Assignee, such Assignee shall be a Bank Party to this Agreement and shall have all the rights and obligations of a Bank as set forth in such Assignment and Assumption Agreement, and the Bank shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this paragraph, substitute notes shall be issued to the assigning Bank and Assignee by Borrower, in exchange for the return of the original Note. All such substitute notes shall constitute "Notes" and the obligations evidenced by such substitute notes shall constitute "Obligations" for all purposes of this Agreement and the other Loan Documents. If the Assignee is not incorporated under the laws of the United States of America or a state thereof, it shall, prior to the first date on which interest or fees are payable hereunder for its account, deliver to Borrower and Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 10.13. Each Assignee shall be deemed to have made the representations

contained in, and shall be bound by the provisions of, Section 10.13.

Any Bank may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Bank from its obligations hereunder.

Borrower recognizes that in connection with a Bank's selling of Participations or making of assignments, any or all documentation, financial statements, appraisals and other data, or copies thereof, relevant to Borrower or the Loans may be exhibited to and retained by any such Participant or assignee or prospective Participant or assignee. In connection with a Bank's delivery of any financial statements and appraisals to any such Participant or assignee or prospective Participant or assignee, such Bank shall also indicate that the same are delivered on a confidential basis. Borrower agrees to provide all assistance reasonably requested by a Bank to enable such Bank to sell Participations or make assignments of its Loan as permitted by this Section. Each Bank agrees to provide Borrower with notice of all Participations sold by such Bank.

Section 12.06 Documentation Satisfactory. All documentation required from or to be submitted on behalf of Borrower in connection with this Agreement and the documents relating hereto shall be subject to the prior approval of, and be satisfactory in form and substance to, Administrative Agent, its counsel and, where specifically provided herein, the Banks. In addition, the persons or parties responsible for the execution and delivery of, and signatories to, all of such documentation, shall be acceptable to, and subject to the approval of, Administrative Agent and its counsel and the Banks.

Section 12.07 Notices. Unless the party to be notified otherwise notifies the other party in writing as provided in this Section, and except as otherwise provided in this Agreement, notices shall be given to Administrative Agent by telephone, confirmed by writing, and to the Banks and to Borrower by ordinary mail or overnight courier or telecopy, receipt confirmed, addressed to such party at its address on the signature page of this Agreement. Notices shall be effective: (1) if by telephone, at the time of such telephone conversation, (2) if given by mail, three (3) days after mailing; (3) if given by overnight courier, upon receipt; and (4) if given by telecopy, upon receipt.

Section 12.08 Setoff. To the extent permitted or not expressly prohibited by applicable law, Borrower agrees that, in addition to (and without limitation of) any right of setoff, bankers' lien or counterclaim a Bank may otherwise have, each Bank shall be entitled, at its option, to offset balances (general or special, time or demand, provisional or final) held

by it for the account of Borrower at any of such Bank's offices, in Dollars or in any other currency, against any amount payable by Borrower to such Bank under this Agreement or such Bank's Note, or any other Loan Document which is not paid when due (regardless of whether such balances are then due to Borrower), in which case it shall promptly notify Borrower and Administrative Agent thereof; provided that such Bank's failure to give such notice shall not affect the validity thereof. Payments by Borrower hereunder or under the other Loan Documents shall be made without setoff or counterclaim.

Section 12.09 Table of Contents; Headings. Any table of contents and the headings and captions hereunder are for convenience only and shall not affect the interpretation or construction of this Agreement.

Section 12.10 Severability. The provisions of this Agreement are intended to be severable. If for any reason any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

Section 12.11 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing any such counterpart.

Section 12.12 Integration. The Loan Documents and Supplemental Fee Letter set forth the entire agreement among the parties hereto relating to the transactions contemplated thereby and supersede any prior oral or written statements or agreements with respect to such transactions.

Section 12.13 Governing Law. This Agreement shall be governed by, and interpreted and construed in accordance with, the laws of the State of New York.

Section 12.14 Waivers. To the extent permitted or not expressly prohibited by applicable law, in connection with the obligations and liabilities as aforesaid, Borrower hereby waives: (1) promptness and diligence; (2) notice of any actions taken by any Bank Party under this Agreement, any other Loan Document or any other agreement or instrument relating thereto except to the extent otherwise provided herein; (3) all other notices, demands and protests, and all other formalities of every kind in connection with the enforcement of the Obligations, the omission of or delay in which, but for the provisions of this Section, might constitute grounds for relieving Borrower of its

obligations hereunder; (4) any requirement that any Bank Party protect, secure, perfect or insure any Lien on any collateral or exhaust any right or take any action against Borrower or any other Person or any collateral; (5) any right or claim of right to cause a marshalling of the assets of Borrower; and (6) all rights of subrogation or contribution, whether arising by contract or operation of law (including, without limitation, any such right arising under the Federal Bankruptcy Code) or otherwise by reason of payment by Borrower, either jointly or severally, pursuant to this Agreement or other Loan Documents.

Section 12.15 Jurisdiction; Immunities. Borrower, Administrative Agent and each Bank hereby irrevocably submit to the jurisdiction of any New York State or United States Federal court sitting in New York City over any action or proceeding arising out of or relating to this Agreement, the Notes or any other Loan Document. Borrower, Administrative Agent, and each Bank irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in such New York State or United States Federal court. Borrower, Administrative Agent, and each Bank irrevocably consent to the service of any and all process in any such action or proceeding by the mailing of copies of such process to Borrower, Administrative Agent or each Bank, as the case may be, at the addresses specified herein. Borrower, Administrative Agent and each Bank agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Borrower, Administrative Agent and each Bank further waive any objection to venue in the State of New York and any objection to an action or proceeding in the State of New York on the basis of forum non conveniens. Borrower, Administrative Agent and each Bank agree that any action or proceeding brought against Borrower, Administrative Agent or any Bank, as the case may be, shall be brought only in a New York State court sitting in New York City or a United States Federal court sitting in New York City, to the extent permitted or not expressly prohibited by applicable law.

Nothing in this Section shall affect the right of Borrower, Administrative Agent or any Bank to serve legal process in any other manner permitted by law.

To the extent that Borrower, Administrative Agent or any Bank have or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether from service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, Borrower, Administrative Agent and each Bank hereby irrevocably waive such immunity in respect of its obligations under this Agreement, the Notes and any other Loan Document.

BORROWER, ADMINISTRATIVE AGENT AND EACH BANK WAIVE ANY RIGHT EACH SUCH PARTY MAY HAVE TO JURY TRIAL IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING BROUGHT WITH RESPECT TO THIS AGREEMENT, THE NOTES OR THE LOAN. IN ADDITION, BORROWER HEREBY WAIVES, IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING BROUGHT BY ADMINISTRATIVE AGENT OR THE BANKS WITH RESPECT TO THE NOTES, ANY RIGHT BORROWER MAY HAVE TO (1) TO THE EXTENT PERMITTED OR NOT EXPRESSLY PROHIBITED BY APPLICABLE LAW, INTERPOSE ANY COUNTERCLAIM THEREIN (OTHER THAN A COUNTERCLAIM THAT IF NOT BROUGHT IN THE SUIT, ACTION OR PROCEEDING BROUGHT BY ADMINISTRATIVE AGENT OR THE BANKS COULD NOT BE BROUGHT IN A SEPARATE SUIT, ACTION OR PROCEEDING OR WOULD BE SUBJECT TO DISMISSAL OR SIMILAR DISPOSITION FOR FAILURE TO HAVE BEEN ASSERTED IN SUCH SUIT, ACTION OR PROCEEDING BROUGHT BY ADMINISTRATIVE AGENT OR THE BANKS) OR (2) TO THE EXTENT PERMITTED OR NOT EXPRESSLY PROHIBITED BY APPLICABLE LAW, HAVE THE SAME CONSOLIDATED WITH ANY OTHER OR SEPARATE SUIT, ACTION OR PROCEEDING. NOTHING HEREIN CONTAINED SHALL PREVENT OR PROHIBIT BORROWER FROM INSTITUTING OR MAINTAINING A SEPARATE ACTION AGAINST ADMINISTRATIVE AGENT OR THE BANKS WITH RESPECT TO ANY ASSERTED CLAIM.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

VORNADO REALTY TRUST, a
Maryland real estate
investment trust

By: /s/ J. Macnow

Name: J. Macnow
Title: Vice President and Chief
Financial Officer

Address for Notices:

Park 80 West
Plaza II
Saddle Brook, New Jersey 07663

Attention: Steven Roth, Chairman
and
Joseph Macnow, Vice President and Chief
Financial Officer

Telephone: (201) 587-1000
Telecopy: (201) 587-0600

with copies to:

Sullivan & Cromwell
125 Broad Street
New York, New York 10004

Attention: Patricia A. Ceruzzi
and
Janet Goldzahler

Telephone: (212) 558-4000
Telecopy: (212) 558-3588

UNION BANK OF SWITZERLAND
(New York Branch)
(as Bank and Administrative Agent)

By: /s/ Albert Rabil, III

Name: Albert Rabil, III
Title: Vice President

By: /s/ Joseph Bassil

Name: Joseph Bassil
Title: Assistant Vice President

Address for Notices and Applicable
Lending Office for Base Rate Loan
and LIBOR Loan:

299 Park Avenue
38th Floor
New York, New York 10171-0026

Attention: Albert Rabil, III and Mara Martez

Telephone: (212) 821-3872
Telecopy: (212) 821-3943

with copies to:

Dewey Ballantine
1301 Avenue of the Americas
New York, New York 10019

Attention: George C. Weiss

Telephone: (212) 259-7320
Telecopy: (212) 259-6333

EXHIBIT B

NOTE

\$ _____

New York, New York
_____, 199_

For value received, Vornado Realty Trust, a Maryland real estate investment trust ("Borrower"), hereby promises to pay to the order of _____ or its successors or assigns (collectively, the "Bank"), at the principal office of Union Bank of Switzerland (New York Branch) located at 299 Park Avenue, New York, New York 10171 (the "Administrative Agent") for the account of the Applicable Lending Office at the Bank, the principal sum of _____ Dollars (\$ _____), or if less, the amount loaned by the Bank to Borrower pursuant to the Loan Agreement (as defined below) and actually outstanding, in lawful money of the United States and in immediately available funds, in accordance with the terms set forth in the Loan Agreement. Borrower also promises to pay interest on the unpaid principal balance hereof, for the period such balance is outstanding, in like money, at said office for the account of said Applicable Lending Office, at the time and at a rate per annum as provided in the Loan Agreement. Any amount of principal hereof which is not paid when due, whether at stated maturity, by acceleration, or otherwise, shall bear interest from the date when due until said principal amount is paid in full, payable on demand, at the rate set forth in the Loan Agreement.

The date and amount of each advance of the Loan made by the Bank to Borrower under the Loan Agreement referred to below, and each payment of the Loan, shall be recorded by the Bank on its books and, prior to any transfer of this Note (or, at the discretion of the Bank, at any other time), endorsed by the Bank on the schedule attached hereto and any continuation thereof.

This Note is one of the Notes referred to in the Revolving Loan Agreement dated as of February 27, 1995 (as the same may be amended from time to time, the "Loan Agreement") among Borrower, the Banks named therein (including the Bank) and Administrative Agent, as administrative agent for the Banks. All of the terms, conditions and provisions of the Loan Agreement are hereby incorporated by reference. All capitalized terms used herein and not defined herein shall have the meanings given to them in the Loan Agreement.

The Loan Agreement contains, among other things, provisions for the prepayment of and acceleration of this Note upon the happening of certain stated events.

No recourse shall be had under this Note against the VRT Principals except as and to the extent set forth in Section 11.02 of the Loan Agreement.

All parties to this Note, whether principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest, notice of protest and notice of dishonor.

This Note shall be governed by the laws of the State of New York, provided that, as to the maximum lawful rate of interest which may be charged or collected, if the laws applicable to the Bank permit it to charge or collect a higher rate than the laws of the State of New York, then such law applicable to the Bank shall apply to the Bank under this Note.

VORNADO REALTY TRUST,
a Maryland real estate
investment trust

By _____
an authorized signatory

Date	Amount of Advance	Amount of Payment	Balance Outstanding	Notation By
----	-----	-----	-----	-----

EXHIBIT 11

VORNADO REALTY TRUST

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

	Year Ended December 31, 1994	Year Ended December 31, 1993	Year Ended December 31, 1992
	-----	-----	-----
Weighted average number of shares outstanding	21,619,312	19,457,485	15,296,978
Common share equivalents for options after applying treasury stock method	234,408	332,963	1,262,351
	-----	-----	-----
Weighted average number of shares and common stock equivalents outstanding	21,853,720	19,790,448	16,559,329
	=====	=====	=====
Income from continuing operation	\$41,240,000	\$31,755,000	\$1,183,000
(Loss) from discontinued operation	-	(600,000)	-
Extraordinary item - (loss) on early extinguishment of debt	-	(3,202,000)	-
	-----	-----	-----
Net income	\$41,240,000	\$27,953,000	\$1,183,000
	=====	=====	=====
Net income (loss) per share:			
Continuing operations	\$1.89	\$1.60	\$.07
Discontinued operation	-	(.03)	-
Extraordinary item	-	(.16)	-
	-----	-----	-----
	\$1.89	\$1.41	\$.07
	=====	=====	=====

EXHIBIT 21

NAME OF SUBSIDIARY	STATE OF ORGANIZATION	PERCENTAGE OF OWNERSHIP
14th Street Acquisition Corporation	New York	100%
Amherst Holding Corporation	New York	100%
Amherst Industries, Inc.	New York	100%
Atlantic City Holding Corporation	New Jersey	100%
Bensalem Holding Company	Pennsylvania	100%
Bethlehem Holding Company	Pennsylvania	100%
Bordentown Holding Corporation	New Jersey	100%
Brentwood Development Corp.	New York	100%
Bridgeland Warehouses, Inc.	New Jersey	100%
Camden Holding Corporation	New Jersey	100%
Chicopee Holding Corporation	Massachusetts	100%
Clementon Holding Corporation	New Jersey	100%
Cross Avenue Broadway Corporation	New York	100%
Cumberland Holding Corporation	New Jersey	100%
Dallas Skillman Abrams Crossing Corporation	Texas	100%
Delran Holding Corporation	New Jersey	100%
Dover Holding Corporation	New Jersey	100%
Dundalk Stores Corporation	Maryland	100%
Durham Leasing Corp.	New Jersey	100%
Eudowood Holding Corporation	Maryland	100%
Evesham Holding Corporation	New Jersey	100%
Gallery Market Holding Company	Pennsylvania	100%
Glen Burnie Shopping Plaza, Inc.	Maryland	100%
Greenwich Holding Corporation	New York	100%
Hackbridge Corporation	New Jersey	100%
Hagerstown Holding Corporation	Maryland	100%
Hanover Holding Corporation	New Jersey	100%
Hanover Industries, Inc.	New Jersey	100%
Hanover Leasing Corporation	New Jersey	100%
Hanover Public Warehousing, Inc.	New Jersey	100%
Henrietta Holding Corp.	New York	100%
HEP Acquisition Corporation	Delaware	100%
Jersey City Leasing Corporation	New Jersey	100%
Kearny Holding Corp.	New Jersey	100%
Kearny Leasing Corporation	New Jersey	100%
Lancaster Holding Company	Pennsylvania	100%
Landthorp Enterprises, Inc.	Delaware	100%
Lawnside Holding Corporation	New Jersey	100%
Lawnside Leasing Corporation	New Jersey	100%
Lawnwhite Holding Corporation	New Jersey	100%
Lewisville Town Centre Corporation	Texas	100%
Littleton Holding Corporation	New Jersey	100%
Lodi Industries Corp.	New Jersey	100%
Lodi Leasing Corporation	New Jersey	100%
Manalapan Industries, Inc.	New Jersey	100%
Marple Holding Company	Pennsylvania	100%

NAME OF SUBSIDIARY	STATE OF ORGANIZATION	PERCENTAGE OF OWNERSHIP
Menands Holding Corporation	New York	100%
Mesquite Crossing Corporation	Texas	100%
Middletown Holding Corporation	New Jersey	100%
Montclair Holding Corporation	New Jersey	100%
Morris Plains Leasing Corp.	New Jersey	100%
National Hydrant Corporation	New York	100%
New Hanover, Inc.	New Jersey	100%
Newington Holding Corporation	Connecticut	100%
New Woodbridge, Inc.	New Jersey	100%
North Bergen Stores, Inc.	New Jersey	100%
North Plainfield Holding Corporation	New Jersey	100%
Oak Trading Company	New Jersey	100%
Philadelphia Holding Company	Pennsylvania	100%
Phillipsburg Holding Corporation	New Jersey	100%
Pike Holding Company	Pennsylvania	100%
Princeton Corridor Holding Corporation	New Jersey	100%
Rahway Leasing Corporation	New Jersey	100%
RMJ Company, Inc.	New Jersey	100%
Rochester Holding Corporation	New York	100%
Silver Lane Properties, Inc.	Connecticut	100%
Springfield Holding Corporation	Massachusetts	100%
Star Universal Corporation	New Jersey	100%
T.G. Hanover, Inc.	New Jersey	100%
T.G. Stores, Inc.	Maryland	100%
The Second Lawnside Corporation	New Jersey	100%
The Second Rochester Corporation	New York	100%
Turnersville Holding Corporation	New Jersey	100%
Two Guys - Conn., Inc.	Connecticut	100%
Two Guys - Mass., Inc.	Massachusetts	100%
Two Guys from Harrison, Inc.	New Jersey	100%
Two Guys from Harrison Company	Pennsylvania	100%
Two Guys from Harrison - N.Y., Inc.	New York	100%
Unado Corp.	New Jersey	100%
Upper Moreland Holding Company	Pennsylvania	100%
Vornado, Inc.	New York	100%
Vornado Acquisition Corporation	Delaware	100%
Vornado Finance Corp.	Delaware	100%
Vornado Holding Corporation	Delaware	100%
Vornado Investments Corporation	Delaware	100%
Vornado Lending Corp.	New Jersey	100%
Watchung Holding Corporation	New Jersey	100%
White Horse Lawnside Corporation	New Jersey	100%
West Windsor Holding Corporation	New Jersey	100%
York Holding Company	Pennsylvania	100%

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Amendment No. 1 to Registration Statement No. 33-52441 on Form S-3 and Registration Statement No. 33-62344 on Form S-8 of Vornado Realty Trust of our report dated March 9, 1995 (March 15, 1995 as to Note 17), appearing in its Annual Report on Form 10-K for the year ended December 31, 1994.

Deloitte & Touche LLP
Parsippany, New Jersey
March 15, 1995

This schedule contains summary financial information extracted from the Company's audited financial statements for the year ended December 31, 1994 and is qualified in its entirety by reference to such financial statements.

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YEAR		
	DEC-31-1994	
	DEC-31-1994	
		23,559
		87,206
		4,898
		457
		0
		0
		365,832
		128,705
		393,538
		0
		234,160
		866
		0
		0
		115,822
393,538		0
		93,998
		0
		30,223
		16,458
		385
		14,209
		41,240
		0
41,240		0
		0
		0
		41,240
		1.89
		1.89