

## Section 1: 8-K (VORNADO REALTY TRUST)

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As filed with the Securities and Exchange Commission on October 8, 1997

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20529

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) September 22, 1997

Commission File Number: 1-11954

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

MARYLAND  
(State or other jurisdiction of incorporation)

22-1657560  
(I.R.S. Employer  
Identification Number)

PARK 80 WEST, PLAZA II, SADDLE BROOK, NEW JERSEY  
(Address of principal executive offices)

07663  
(Zip Code)

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

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

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Items 1-4 Not Applicable.

Item 5. Other Events.

CHARLES E. SMITH:

On September 22, 1997, Vornado Realty Trust entered into an agreement to acquire a 15% limited partnership interest in Charles E. Smith Commercial Realty, L.P. for \$60 million. Charles E. Smith Commercial Realty, L.P. is being formed to own interests in and manage approximately 7.2 million square feet of office properties in Crystal City, Alexandria, Virginia, a suburb of Washington, D.C., and to manage an additional 14 million square feet of office and other commercial properties in the Washington, D.C. area. The Crystal City properties in which Charles E. Smith Commercial Realty, L.P. will own an interest, are now owned by other various Charles E. Smith affiliates. The closing, which is expected to occur at the end of October, is subject to receipt of consents from various parties and other conditions.

HOTEL PENNSYLVANIA:

On September 25, 1997, Vornado Realty Trust acquired a 40% interest in the Hotel Pennsylvania, which is located on Seventh Avenue in New York City opposite Madison Square Garden. The property was acquired in a joint venture with Hotel Properties Limited and Planet Hollywood International, Inc. The venture

intends to create a sports-themed hotel and entertainment complex. Under the joint venture agreement, Hotel Properties Limited and Planet Hollywood International, Inc. will have 40% and 20% interests, respectively. The joint venture acquired the hotel for approximately \$159 million, of which \$120 million is newly-issued 5 year financing. The Hotel Pennsylvania contains approximately 800,000 square feet of hotel space with 1,700 rooms and 400,000 square feet of retail and office space. Vornado will manage the site's retail and office space, and Hotel Properties will manage the hotel.

COLD STORAGE:

On September 26, 1997, Vornado Realty Trust entered into merger agreements pursuant to which its newly formed preferred stock affiliates ("Preferred Stock Affiliates") will acquire Americold Corporation ("Americold") and URS Logistics, Inc. ("URS") (collectively "Cold Storage"). The consideration for the Americold transaction is approximately \$582 million, including \$111 million in cash and \$471 million in indebtedness. The consideration for the URS transaction is approximately \$367 million, including \$178 million in cash and \$189 million in indebtedness.

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The Preferred Stock Affiliates entered into an agreement with Crescent Real Estate Equities Limited Partnership ("Crescent") to make these acquisitions pursuant to which the Preferred Stock Affiliates would hold a 60% interest in the investment and Crescent a 40% interest.

Affiliates of Kelso & Company, Inc., which have a controlling interest in both Americold and URS, have granted consents or irrevocable proxies with respect to both transactions. Each transaction is not conditioned on the closing of the other, and both are expected to close in the fourth quarter of 1997.

The forgoing is qualified in its entirety by reference to Exhibits 99.3 through 99.6.

The Charles E. Smith, Hotel Pennsylvania and Cold Storage transactions were arrived at through arm's-length negotiations and were consummated through a subsidiary of Vornado Realty L.P.. Vornado Realty Trust owns 90.4% of Vornado Realty L.P. and is the sole general partner.

STOCK SPLIT:

On October 7, 1997, Vornado Realty Trust announced a two-for-one stock split by declaring a dividend of one common share for each share issued and outstanding as of the close of business on October 15, 1997. As a result of the stock split, Vornado's outstanding shares will increase from approximately 26.56 million shares to 53.12 million shares. The additional shares will be issued October 20, 1997.

Item 6. Not Applicable.

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

(a) - (b) There are filed herewith (a) the historical financial statements of Americold, URS, Montehiedra Town Center ("Montehiedra") and the Riese Properties ("Riese") commencing on page 7 and (b) the Condensed Consolidated Pro Forma Balance Sheet of Vornado Realty Trust as of June 30, 1997 and the Condensed Consolidated Pro Forma Statement of Income of Vornado Realty Trust for the six months ended June 30, 1997 and the year ended December 31, 1996, commencing on page 68, prepared to give Pro Forma effect to the proposed acquisition of Americold and URS, completed acquisitions of Montehiedra and Riese and investments in Charles E. Smith Commercial Realty L.P. and the Hotel Pennsylvania. The Pro Forma data also includes certain previously reported acquisitions which were included in Form 8-K's previously filed with the Securities and Exchange Commission in 1997.

(c) Exhibits.

Exhibit No.	Exhibit
-----	-----
23.1	Consent of KPMG Peat Marwick LLP
23.2	Consent of KPMG Peat Marwick LLP

- 23.3 Consent of Deloitte & Touche LLP
- 23.4 Consent of Deloitte & Touche LLP
- 23.5 Consent of Deloitte & Touche LLP

Exhibit No. -----	Exhibit -----
99.1	Press Release, dated September 22, 1997, of Vornado Realty Trust, announcing the acquisition of a 15% limited partnership interest in Charles E. Smith Commercial Realty, L.P.
99.2	Press Release, dated September 25, 1997, of Vornado Realty Trust, announcing the acquisition of a 40% interest in Hotel Pennsylvania.
99.3	Press Release, dated September 29, 1997, of Vornado Realty Trust, announcing the acquisition of Americold Corporation and URS Logistics, Inc. and the formation of a partnership with Crescent Real Estate Equities Company.
99.4	Agreement and Plan of Merger, dated as of September 26, 1997 among Vornado Realty Trust, Atlanta Parent, Inc., Atlanta Storage Acquisition Co. and URS Logistics, Inc.
99.5	Agreement and Plan of Merger, dated as of September 26, 1997 among Vornado Realty Trust, Portland Parent, Inc., Portland Storage Acquisition Co. and Americold Corporation.
99.6	Agreement dated September 28, 1997 between Atlanta Parent Incorporated, Portland Parent Incorporated and Crescent Real Estate Equities Limited Partnership.

Item 8. Not Applicable.

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[PEAT MARWICK LLP LETTERHEAD]

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Americold Corporation:

We have audited the consolidated balance sheets of Americold Corporation as of the last day of February 1996 and 1997, and the related consolidated statements of operations, common stockholders' deficit and cash flows for each of the years in the three-year period ended the last day of February 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Americold Corporation as of the last day of February 1996 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended the last day of February 1997, in conformity with generally accepted accounting principles.

/s/ KPMG Peat Marwick LLP

Portland, Oregon  
May 2, 1997

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AMERICOLD CORPORATION

Consolidated Balance Sheets

Last day of February 1996 and 1997

(In Thousands, Except Share Data)

Assets -----	1996 ----	1997 ----
Current assets:		
Cash and cash equivalents	\$ 20,857	\$ 13,702
Trade receivables, less allowance for doubtful accounts of \$218 and \$396, respectively	25,461	27,560
Other receivables	3,512	3,138
Prepaid expenses	4,286	3,828
Tax refund receivable	3,336	2,636
Other current assets	845	891
	-----	-----
Total current assets	58,297	51,755
Net property, plant and equipment	375,851	384,484
Cost in excess of net assets acquired, less accumulated amortization of \$22,138 and \$24,644, respectively	77,255	74,749
Debt issuance costs, less accumulated amortization of \$3,987 and \$5,168, respectively	6,627	11,041
Other noncurrent assets	8,962	9,005
	-----	-----
Total assets	\$ 526,992	\$ 531,034
	=====	=====

See accompanying notes to consolidated financial statements.

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Liabilities, Preferred Stock and Common Stockholders' Deficit -----	1996 ----	1997 ----
Current liabilities:		
Accounts payable	\$ 11,363	\$ 16,116
Accrued interest	19,056	18,466
Accrued expenses	11,604	13,660
Deferred revenue	5,707	5,555
Current maturities of long-term debt	2,732	5,229
Other current liabilities	4,630	5,259
	-----	-----
Total current liabilities	55,092	64,285

Long-term debt, less current maturities	461,667	465,834
Deferred income taxes	102,041	98,524
Other noncurrent liabilities	9,861	10,347
	-----	-----
Total liabilities	628,661	638,990
	-----	-----
Preferred stock, Series A, \$100 par value. Authorized 1,000,000 shares; issued and outstanding 52,936 shares	5,771	5,753
	-----	-----
Common stockholders' deficit:		
Common stock, \$.01 par value. Authorized 10,000,000 shares; issued and outstanding 4,931,194 and 4,995,556 shares, respectively	49	50
Additional paid-in capital	50,173	51,182
Retained deficit	(157,345)	(164,580)
Adjustment for minimum pension liability	(317)	(361)
	-----	-----
Total common stockholders' deficit	(107,440)	(113,709)
Commitments and contingencies	-	-
	-----	-----
Total liabilities, preferred stock and common stockholders' deficit	\$ 526,992	\$ 531,034
	=====	=====

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AMERICOLD CORPORATION

Consolidated Statements of Operations

Years ended last day of February 1995, 1996 and 1997

(In Thousands, Except Per Share Data)

	1995	1996	1997
	----	----	----
Net sales	\$ 215,207	\$ 279,788	\$ 310,767
	-----	-----	-----
Operating expenses:			
Cost of sales	138,132	194,936	228,762
Amortization of cost in excess of net assets acquired	2,535	2,773	2,506
Selling and administrative expenses	25,955	28,525	31,142
Employee stock ownership plan expense	750	750	500
	-----	-----	-----
Total operating expenses	167,372	226,984	262,910
	-----	-----	-----
Gross operating margin	47,835	52,804	47,857
	-----	-----	-----
Other income (expense):			
Interest income	1,870	1,199	932
Interest expense	(55,344)	(56,610)	(56,678)
Amortization of debt issuance costs	(1,276)	(964)	(1,185)
Gain on insurance settlement	16,953	-	-
Reorganization expenses	-	(7,344)	(771)
Other, net	753	(591)	701
	-----	-----	-----
Total other expense	(37,044)	(64,310)	(57,001)
	-----	-----	-----
Income (loss) before income taxes and extraordinary item	10,791	(11,506)	(9,144)
Provision (benefit) for income taxes	5,227	(3,426)	(2,604)
	-----	-----	-----
Income (loss) before extraordinary item	5,564	(8,080)	(6,540)
Extraordinary item, net of income tax benefit of \$1,158	-	(1,794)	-
	-----	-----	-----
Net income (loss)	\$ 5,564	\$ (9,874)	\$ (6,540)
	=====	=====	=====

Income (loss) per share:

Income (loss) before extraordinary item	\$ 1.00	\$ (1.80)	\$ (1.46)
Extraordinary item	-	(.37)	-
	-----	-----	-----
Net income (loss) per common share	\$ 1.00	\$ (2.17)	\$ (1.46)
	=====	=====	=====
Weighted average number of shares outstanding	4,864	4,867	4,952
	=====	=====	=====

See accompanying notes to consolidated financial statements.

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AMERICOLD CORPORATION

Consolidated Statements of Common Stockholders' Deficit

Years ended last day of February 1995, 1996 and 1997

(In Thousands, Except Share Data)

	Common stock -----	Additional paid-in capital -----	Retained deficit -----	Adjustment for minimum pension liability -----	Total common stockholders' deficit -----
Balance last day of February 1994	\$ 49	\$ 49,082	\$(151,653)	\$ (55)	\$(102,577)
Purchase of common stock (3,065 shares)	-	(60)	-	-	(60)
11.5% preferred stock dividend	-	-	(190)	-	(190)
Undeclared cumulative preferred stock dividend	-	-	(496)	-	(496)
Adjustment for minimum pension liability	-	-	-	12	12
Net income	-	-	5,564	-	5,564
	-----	-----	-----	-----	-----
Balance last day of February 1995	49	49,022	(146,775)	(43)	(97,747)
Issuance of common stock (26,685 shares)	-	436	-	-	436
13.5% preferred stock dividend	-	715	(219)	-	496
Undeclared cumulative preferred stock dividend	-	-	(477)	-	(477)
Adjustment for minimum pension liability	-	-	-	(274)	(274)
Net loss	-	-	(9,874)	-	(9,874)
	-----	-----	-----	-----	-----
Balance last day of February 1996	49	50,173	(157,345)	(317)	(107,440)
Issuance of common stock (64,362 shares)	1	1,009	-	-	1,010
13.5% preferred stock dividend	-	-	(237)	-	(237)
Undeclared cumulative preferred stock dividend	-	-	(458)	-	(458)
Adjustment for minimum pension liability	-	-	-	(44)	(44)
Net loss	-	-	(6,540)	-	(6,540)
	-----	-----	-----	-----	-----
Balance last day of February 1997	\$ 50	\$ 51,182	\$(164,580)	\$ (361)	\$(113,709)
	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

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AMERICOLD CORPORATION

Consolidated Statements of Cash Flows

Years ended last day of February 1995, 1996 and 1997

(In Thousands)

	1995 ----	1996 ----	1997 ----
Cash flows from operating activities:			
Net income (loss)	\$ 5,564	\$ (9,874)	\$ (6,540)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	20,140	19,682	20,697

Amortization of cost in excess of net assets acquired	2,535	2,773	2,506
Amortization of debt issuance costs	1,276	964	1,185
Amortization of original issue discount	1,369	430	-
Gain (loss) on sale of assets	(286)	(555)	25
Gain on insurance settlement	(16,953)	-	-
Other amortization	302	570	570
Write-off of unamortized issuance costs	-	962	-
Write-off of original issuance discount	-	1,989	-
Write-off of long-term investment	-	750	-
Change in assets and liabilities:			
Receivables	(6,952)	(6,358)	(1,725)
Prepaid expenses	(1,268)	954	458
Tax refund receivable	1,012	(3,057)	700
Other current assets	(67)	(150)	(46)
Accounts payable	1,291	4,622	4,753
Accrued interest	349	1,373	(590)
Accrued expenses	3,833	259	2,806
Deferred revenue	1,142	(207)	(152)
Other current liabilities	(1,032)	718	629
Deferred income taxes	1,540	(4,057)	(3,517)
Other noncurrent liabilities	(1,111)	772	(2,901)
	-----	-----	-----
Net cash provided by operating activities	12,684	12,560	18,858
	-----	-----	-----

See accompanying notes to consolidated financial statements.

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AMERICOLD CORPORATION

Consolidated Statements of Cash Flows, Continued

(In Thousands)

	1995	1996	1997
	----	----	----
Cash flows from investing activities:			
Proceeds from sale of assets	\$ 1,105	\$ 6,169	\$ 1,658
Expenditures for property, plant and equipment	(13,203)	(34,183)	(33,634)
Purchase of long-term investment	(447)	--	--
Proceeds from insurance policies	26,343	--	--
Expenditures for logistics software	(1,650)	(230)	(56)
Other items, net	287	646	943
	-----	-----	-----
Net cash provided (used) by investing activities	12,435	(27,598)	(31,089)
	-----	-----	-----
Cash flows from financing activities:			
Principal payments under capital lease and other debt obligations	(2,087)	(2,752)	(2,425)
Proceeds from mortgage	13,475	--	15,222
Retirement of note and mortgage	(9,044)	--	(11,376)
Proceeds from sale of senior subordinated notes	--	--	120,000
Retirement of senior subordinated debentures	--	--	(115,000)
Retirement of mortgage bonds	--	(10,000)	--
Release of escrow funds	2,714	20,083	4,820
Deposit of escrow funds	--	(4,768)	--
Debt issuance costs	(846)	(269)	(5,668)
Purchase of treasury stock	(60)	--	--
Issuance of stock	--	438	218
Preferred stock dividend	--	--	(715)
	-----	-----	-----
Net cash provided by financing activities	4,152	2,732	5,076
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	29,271	(12,306)	(7,155)
Cash and cash equivalents at beginning of year	3,892	33,163	20,857
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 33,163	\$ 20,857	\$ 13,702
	=====	=====	=====
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest, net of amounts capitalized	\$ 53,626	\$ 54,806	\$ 57,268
Cash paid during the year for income taxes	2,675	2,531	58
Supplemental schedule of noncash investing and financing activities:			
Capital lease obligations incurred to lease new equipment	1,120	844	243
Sale proceeds placed in escrow	1,483	450	5,334
Exchange of senior subordinated debentures	--	115,000	--

See accompanying notes to consolidated financial statements.

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements

Last day of February 1996 and 1997

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies and methods of their application that significantly affect the determination of financial position, cash flows and results of operations are as follows:

(a) Business Description

Americold Corporation (the "Company") provides integrated logistics services for the frozen food industry consisting of warehousing and transportation management. These services are provided through the Company's network of 49 refrigerated warehouses and its refrigerated transportation management unit. The Company has a wholly-owned warehousing subsidiary, Americold Services Corporation.

In addition, the Company operates a limestone quarry. This business is not significant to the Company as a whole and is not required to be reported as a separate industry segment.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of Americold Corporation and its wholly-owned subsidiary. All significant intercompany transactions, profits and balances have been eliminated.

(c) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is generally provided on the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 45 years for financial reporting purposes and on accelerated methods for income tax purposes where possible. Property held under capital leases (at capitalized value) is amortized on the straight-line method over its estimated useful life, limited generally by the lease period. The

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements - (continued)

amortization of the property held under capital leases is included with depreciation expense. Estimated remaining useful lives are reviewed periodically for reasonableness and any necessary change is generally effected at the beginning of the accounting period in which the revision is adopted.

Maintenance and repairs are expensed in the year incurred; major renewals and betterments of equipment and refrigeration facilities are capitalized and depreciated over the remaining life of the asset.

(d) Cost in Excess of Net Assets Acquired

On December 24, 1986, all the outstanding capital stock of the Company was acquired by a private group consisting of affiliates of Kelso & Company, Inc., certain institutional investors and certain key employees and members of the Company's management. The acquisition of the Company was accounted for as a purchase. An allocation of the purchase price was made to the acquired assets and liabilities based on their estimated fair market values at the date of acquisition. The unallocated purchase price is the Company's estimate of goodwill associated with the acquisition and is being amortized using the straight-line method over a period of 40 years.

The Company assesses the recoverability of the goodwill by determining whether the amortization of the goodwill balance over its remaining

useful life can be recovered through projected undiscounted future net income. The amount of goodwill impairment, if any, is measured based on projected discounted future net income using a discount rate reflecting the Company's current average cost of funds.

(e) Debt Issuance Costs

Debt issuance costs incurred are amortized over the term of the related debt.

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements - (continued)

(f) Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws.

(g) Management Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) Revenue Recognition

The Company's revenues are primarily derived from services provided to customers in both handling and storing frozen products and from freight services. Handling and storage revenue is based primarily upon the total weight of frozen product received into and held in storage and is recognized as earned, not as billed. Differences between revenue earned and revenue billed are recorded as deferred revenue. Approximately 50% of the handling revenue is deferred until the customer's products are released. The freight services revenues and direct costs are recognized upon delivery of freight.

(i) Income (Loss) Per Share

Income (loss) per common share is computed by dividing net income (loss) less preferred dividend requirements, by the weighted average of common shares outstanding.

(j) Major Customers

Consolidated net sales to H. J. Heinz Company and subsidiaries amounted to approximately \$45.5 million, \$108.1 million and \$149.9 million in the years ended

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements - (continued)

the last day of February 1995, 1996 and 1997, respectively. No other customer accounted for 10% or more of consolidated net sales.

(k) Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. There were cash equivalents of \$15.4 million and \$10.0 million as of the last day of February 1996 and 1997, respectively.

(l) New Accounting Standards

Effective March 1, 1996, the Company adopted Financial Accounting Standard Board Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." This statement generally requires assessment of recoverability of an asset after events or circumstances that indicate an impairment to the asset and its future cash flows. Any

impairment loss would be recognized as a one-time charge to earnings affecting results of operations, but would not affect the cash flow of the Company. There was no impairment loss to report upon adoption.

Effective March 1, 1996, the Company adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). SFAS No. 123 requires that, except for transactions with employees that are within the scope of Accounting Principles Board Opinion No. 25 ("APB No. 25"), all transactions in which goods or services are the consideration received for the issuance of equity instruments are to be accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. However, it also allows an entity to continue to measure compensation costs for those plans using the intrinsic value based method of accounting prescribed by APB No. 25. Entities electing to follow the accounting methods of APB No. 25 must make pro forma disclosures of net income and, if presented, earnings per share, as if the fair value method of accounting defined in SFAS No. 123 had been applied.

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements - (continued)

Pro forma disclosures required for entities that elect to continue to measure compensation cost using APB No. 25 must include the effects of all awards granted in fiscal years that begin after December 15, 1994. The Company has elected to continue using APB No. 25 and make the necessary SFAS No. 123 pro forma disclosures.

The Company has not implemented the requirements of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128"), although it will be required to do so for fiscal years beginning March 1, 1997 and thereafter.

This Statement establishes a different method of computing net income per share than is currently required under the provisions of Accounting Principles Board Opinion No. 15. Under SFAS No. 128, the Company will be required to present both basic net income per share and diluted net income per share. The Company estimates that the adoption of SFAS No. 128 will not have a material impact on its income per share.

(2) Net Property, Plant and Equipment

Net property, plant and equipment consists of the following (in thousands):

	Last day of February	
	----- 1996 -----	1997 -----
Land	\$ 31,911	\$ 35,038
Refrigerated facilities, buildings and land improvements	450,402	467,496
Machinery and equipment	67,661	74,599
	-----	-----
	549,974	577,133
Less accumulated depreciation	174,123	192,649
	-----	-----
	\$375,851	\$384,484
	=====	=====

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements - (continued)

(3) Other Noncurrent Assets

Other noncurrent assets consist of the following (in thousands):

	Last day of February	
	1996	1997
	-----	-----
Restricted funds held by trustee	\$5,037	\$5,407
Real estate owned	300	300
Security deposits	261	261
Other	3,364	3,037
	-----	-----
	\$8,962	\$9,005
	=====	=====

(4) Leases

Assets under capital leases are included in net property, plant and equipment and consist of the following (in thousands):

	Last day of February	
	1996	1997
	-----	-----
Refrigerated facilities, buildings and land improvements	\$ 7,075	\$ 7,075
Machinery and equipment	4,635	3,124
	-----	-----
	11,710	10,199
Less accumulated depreciation	4,108	3,368
	-----	-----
	\$ 7,602	\$ 6,831
	=====	=====

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements - (continued)

Future minimum lease payments under noncancelable leases for years ended after the last day of February 1997 are as follows (in thousands):

Year ending the last day of February	Capital leases	Operating leases
-----	-----	-----
1998	\$ 4,013	\$ 6,298
1999	782	5,348
2000	590	4,290
2001	509	3,211
2002	350	3,072
Thereafter	742	20,540
	-----	-----
Total minimum lease payments	\$ 6,986	\$ 42,759
		=====
Less amounts representing interest	1,235	
	-----	
Present value of net minimum lease payments	\$ 5,751	
	=====	

Included in expenses for the years ended the last day of February 1995, 1996 and 1997 are approximately \$9.5 million, \$7.7 million and \$7.2 million, respectively, of rental expense net of sublease rentals for operating leases.

The Company has arranged for up to \$25.0 million in lease financing of

which approximately \$17.7 million was used as of the last day of February 1997.

In November 1996, the Company entered into a sale/leaseback transaction of its Pasco, Washington facility. Of the approximately \$6.8 million of net proceeds, the Company received approximately \$1.5 million at closing and the remaining \$5.3 million was placed in escrow with the Trustee under the indenture governing the Company's first mortgage bonds. The Company has until November 1997 to substitute the unencumbered property for the total amount of cash, or any portion thereof, held in escrow. Any escrowed funds remaining after the one year period will be used to repurchase outstanding mortgage bonds. The deferred gain resulting from the sale/leaseback transaction of approximately \$2.7 million is being amortized over the approximate ten year life of the lease.

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements - (continued)

(5) Accrued Expenses

Accrued expenses consist of the following (in thousands):

	Last day of February	
	----- 1996 -----	1997 -----
Accrued payroll	\$ 3,565	\$ 3,747
Accrued vacation pay	2,462	2,831
Accrued taxes	1,022	1,163
Accrued employee stock ownership plan contribution	750	500
Other	3,805	5,419
	-----	-----
	\$ 11,604	\$ 13,660
	=====	=====

(6) Other Current Liabilities

Other current liabilities consist of the following (in thousands):

	Last day of February	
	----- 1996 -----	1997 -----
Workers' compensation	\$ 991	\$ 693
Pension	1,100	2,110
Other	2,539	2,456
	-----	-----
	\$ 4,630	\$ 5,259
	=====	=====

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements - (continued)

(7) Long-term Debt

Long-term debt consists of the following (in thousands):

Last day  
of February

	----- 1996 ----	1997 ----
Capital lease obligations (9.3% and 9.1% weighted average interest rate, respectively)	\$ 6,720	\$ 5,751
Senior subordinated debentures - 15% fixed due May 1, 2007	115,000	--
Senior subordinated notes - 12.875% fixed, due May 1, 2008. Interest rate may increase by 1% effective November 1, 1997	--	120,000
First mortgage bonds, Series A - 11.45% fixed, due June 30, 2002, interest payments only to January 1, 1999 with principal amortization commencing July 1, 1999	140,000	140,000
First mortgage bonds, Series B - 11.5% fixed, due March 1, 2005, interest payments only to September 1, 2003 with a mandatory sinking fund payment of \$88,125 on March 1, 2004	176,250	176,250
Mortgage notes payable - various interest rates ranging from 8.6% to 13.6% requiring monthly principal and interest payments with maturities ranging from 2006 to 2017	26,429	29,062
	----- 464,399	----- 471,063
Less current maturities of long-term debt	2,732	5,229
	----- \$461,667 =====	----- \$465,834 =====

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements - (continued)

The Company has issued first mortgage bonds and the bonds are secured by mortgages or deeds of trust on 31 of the Company's facilities. The Company entered into an indenture in connection with the issuance of the first mortgage bonds which, like the Company's revolving credit agreement with the Company's primary bank, requires the Company to meet certain affirmative and restrictive covenants. Significant restrictive items include, among others, limitations on additional indebtedness, liens, dividends, capital expenditures, asset dispositions, lease commitments and investments. Also, certain "pro forma debt service" ratios and senior debt to net worth ratios must be maintained. At February 28, 1997, the Company was in compliance with all such covenants.

The Company was notified in December 1996 that the Metropolitan Life Insurance Company (the "Met") sold its entire \$140 million holdings of the Company's Series A, 11.45% First Mortgage Bonds. As a result of such transaction, the Second Amended and Restated Investment Agreement, dated May 5, 1995, between the Met and the Company, which included certain financial covenants and other restrictive covenants, was terminated.

On April 9, 1996, the Company sold \$120.0 million aggregate principal amount of the Company's 12.875% Notes. The interest rate on the 12.875% Notes can be increased from 12.875% to 13.875% if the 12.875% Notes are not rated "B3 or higher" by Moody's Investor Services, and "B- or higher" by Standard & Poor's, by November 1, 1997. The 12.875% Notes have been rated "B-" by Standard & Poor's since they were issued, and as of February 28, 1997, "Caa" by Moody's Investor Services.

The available amount under the Company's revolving credit agreement was \$23.1 million as of the last day of February 1997, of which \$8.7 million of letters of credit were outstanding. No cash borrowings were outstanding at February 28, 1997.

As of the last day of February 1997, aggregate annual maturities of long-term debt are as follows (in thousands):

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements - (continued)

Year ended the last  
day of February

-----

1998	\$ 5,229
1999	2,463
2000	32,502
2001	38,642
2002	38,282
Thereafter	353,945
	-----
	\$ 471,063
	=====

(8) Employee Benefit Plans

(a) Defined Benefit Pension Plans

The Company has defined benefit pension plans which cover substantially all employees, other than union employees covered by union pension plans under collective bargaining agreements. Benefits under these plans are based on years of credited service and compensation during the years preceding retirement or on years of credited service and established monthly benefit levels.

Pension expense for all plans, including plans jointly administered by industry and union representatives, totaled \$1.4 million, \$1.7 million and \$1.9 million for years ended the last day of February 1995, 1996 and 1997, respectively. Actuarial valuations for defined benefit plans are performed as of the end of the plan year. The most recent actuarial valuations are as of the last day of February 1997.

The funded status of the Company's defined benefit pension plans and the accrued pension expense amounts recognized in the Company's consolidated financial statements within other noncurrent liabilities, as of the last day of February 1996 and 1997, are as follows (in thousands):

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements - (continued)

	Last day of February 1996		Last day of February 1997	
	Plans with assets in excess of accumulated benefits	Plans with accumulated benefits in excess of assets	Plans with assets in excess of accumulated benefits	Plans with accumulated benefits in excess of assets
	-----	-----	-----	-----
Actuarial present value of benefit obligations:				
Accumulated benefit obligations:				
Vested benefits	\$ 19,902	\$ 7,382	\$ 19,805	\$ 7,740
Nonvested benefits	220	128	947	316
	-----	-----	-----	-----
	20,122	7,510	20,752	8,056
Effect of assumed future compensation increases	3,808	--	4,379	--
	-----	-----	-----	-----
Projected benefit obligations for services rendered to date	23,930	7,510	25,131	8,056
Plan assets at fair value	20,644	6,005	22,227	6,659
	-----	-----	-----	-----
Projected benefit obligations in excess of plan assets	3,286	1,505	2,904	1,397
Unrecognized prior service cost	(119)	(108)	(85)	(101)
Unrecognized net gain (loss) from past experience different from that assumed and effects of changes in assumptions	1,323	(317)	1,277	(361)

	-----	-----	-----	-----
Accrued pension liability	\$ 4,490	\$ 1,080	\$ 4,096	\$ 935
	=====	=====	=====	=====

Net periodic pension expense for the years ended the last day of February 1995, 1996 and 1997 includes the following components (in thousands):

	Last day of February		
	1995	1996	1997
	-----	-----	-----
Service cost - benefits earned during the period	\$ 1,107	\$ 1,165	\$ 1,186
Interest cost on projected benefit obligation	2,121	2,293	2,431
Actual return on plan assets	(2,554)	(4,301)	(2,826)
Net amortization and deferral	(143)	1,541	109
	-----	-----	-----
	\$ 531	\$ 698	\$ 900
	=====	=====	=====

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements - (continued)

Actuarial assumptions used for determining pension liabilities were:

	Last day of February		
	1995	1996	1997
	----	----	----
Discount rate for interest cost	8.5%	8.0%	8.0%
Rate of increase in future compensation levels	4.0%	4.0%	4.0%
Expected long-term rate of return on plan assets	10.5%	10.5%	10.5%

Plan assets are assigned to several investment management companies and are invested in various equity and fixed fund investments in accordance with the Company's investment policy.

(b) Employee Stock Ownership Plan

The Company established an employee stock ownership plan, effective March 1, 1987, which is intended to provide qualifying employees an equity interest in the Company, as well as potential retirement benefits. The trust established under the plan is designed to invest primarily in the Company's stock. Contributions by the Company, in the form of common or preferred stock of the Company, or cash, or a combination thereof, may be made to the trustee on behalf of eligible participants for each plan year as determined by the Company's Board of Directors. Participating employees with vested benefits, upon retirement or termination, have the option of retaining the stock or selling it back to the Company at its fair market value.

(c) Postretirement Benefits Other Than Pensions

In addition to providing retirement benefits, the Company provides certain health care and life insurance benefits for retired employees. These benefits are provided to substantially all employees other than certain union employees who have elected not to participate.

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## AMERICOLD CORPORATION

## Notes to Consolidated Financial Statements - (continued)

The total of accumulated postretirement benefits obligation (APBO), which is an unfunded obligation, is as follows:

	Last day of February		
	1995	1996	1997
	----	----	----
Retirees	\$2,314	\$2,375	\$2,618
Active employees	1,511	1,832	2,209
	-----	-----	-----
	\$3,825	\$4,207	\$4,827
	=====	=====	=====

The components of net periodic postretirement expense for the years ended the last day of February are as follows (in thousands):

	1995	1996	1997
	----	----	----
Service cost benefits earned in period	\$ 104	\$ 114	\$ 123
Interest cost on APBO	313	334	383
Amortization of unamortized prior service cost	(22)	(22)	(8)
	-----	-----	-----
	\$ 395	\$ 426	\$ 498
	=====	=====	=====

The discount rate used to determine the APBO and net periodic expense as of February 28, 1995 was 9.0%, and as of February 29, 1996 and February 28, 1997 was 8.5%.

For fiscal 1997, an 11% increase in the medical cost trend rate was assumed. This rate is projected to decrease incrementally to 5.5% after nine years. A 1% increase in the medical trend rate would increase the APBO by \$0.2 million and increase the net periodic expense by a negligible amount.

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## AMERICOLD CORPORATION

## Notes to Consolidated Financial Statements - (continued)

## 9. Common Stockholders' Deficit

The Company has reserved 300,000 shares of common stock for issuance under a stock option plan established in 1987. Under the plan, options are granted by the Compensation Committee of the Board of Directors to purchase common stock at a price not less than 85% of the fair market value on the date the option is granted.

Stock options outstanding and transactions involving the stock option plan are summarized for the years ended the last day of February as follows:

1995	1996	1997
-----	-----	-----

	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
	-----	-----	-----	-----	-----	-----
Outstanding at beginning of year	257,934	\$16.06	253,795	\$16.17	249,656	\$15.45
Granted	--	--	--	--	160,000	12.30
Exercised	--	--	--	--	(21,748)	10.00
Cancelled	--	--	--	--	(160,000)	19.77
Forfeited	(4,139)	10.00	(4,139)	10.00	(2,760)	10.00
	-----	-----	-----	-----	-----	-----
Outstanding at end of year	253,795	\$16.17	249,656	\$16.26	225,148	\$11.63
	=====	=====	=====	=====	=====	=====
Options exercisable at year end	185,795	\$14.57	213,656	\$15.45	65,148	\$10.00
	=====	=====	=====	=====	=====	=====
Weighted average grant date fair value of options granted during the year		\$ 0		\$ 0		\$ 2.67
		=====		=====		=====

The Company has computed the value of all options granted during fiscal 1997 using the minimum value method as prescribed under SFAS No. 123 for pro forma disclosure purposes. The following weighted average assumptions were used for the grants made in fiscal 1997: risk free interest rate at 6.875%; expected life of ten years; and dividend rate of zero percent.

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements - (continued)

The total value of options granted during fiscal 1997 was computed at \$428,000. The options granted in fiscal 1997 have a five-year vesting schedule and compensation will be amortized on a pro forma basis over that period.

The options granted in fiscal 1997 had not vested as of the last day of February 1997 and therefore there would be no compensation cost in the current year under the pro forma disclosure provisions of SFAS No. 123.

The effects of applying SFAS No. 123 in the pro forma disclosure are not indicative of future amounts.

As of February 28, 1997, options for 225,148 shares were outstanding with exercise prices between \$10.00 and \$12.30, and a remaining weighted average contractual life of 6.7 years.

10. Preferred Stock

The Company has contributed shares of its Series A, variable rate, cumulative preferred stock to the Americold Employee Stock Ownership Plan (ESOP). The preferred stock is redeemable by participants of the plan. As of the last day of February 1996 and 1997, dividends not declared on the Company's cumulative preferred stock total approximately \$477,000 and \$458,000, respectively.

11. Income Taxes

The provision (benefit) for income taxes consists of the following (in

thousands):

	1995 -----	1996 -----	1997 -----
Federal:			
Current	\$ 2,867	\$ --	\$ 250
Deferred	1,494	(2,858)	(2,422)
	-----	-----	-----
	4,361	(2,858)	(2,172)
	-----	-----	-----

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements - (continued)

State:			
Current	820	--	112
Deferred	46	(568)	(544)
	-----	-----	-----
	\$ 5,227	\$(3,426)	\$(2,604)
	=====	=====	=====

Following is a reconciliation of the difference between income taxes computed at the federal statutory rate and the provision for income taxes (in thousands):

	1995 ----	1996 ----	1997 ----
Computed income tax expense (benefit) at federal statutory rate	\$ 3,777	\$(4,027)	\$(3,200)
State and local income taxes, net of federal income tax benefits	563	(369)	(280)
Amortization of cost in excess of net assets acquired	887	970	876
	-----	-----	-----
	\$ 5,227	\$(3,426)	\$(2,604)
	=====	=====	=====

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the related amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities as of the last day of February 1996 and 1997 are as follows (in thousands):

	1996 ----	1997 ----
Deferred tax liabilities:		
Property, plant and equipment, due to differences in depreciation and prior accounting treatment	\$(110,574)	\$(109,099)
	-----	-----

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AMERICOLD CORPORATION

Deferred tax assets:		
Receivables, due to allowance for doubtful accounts	86	155
Employee compensation and other benefits	1,879	3,605
Capital leases, net	1,714	1,617
Postretirement benefits other than pensions, due to accrual for financial reporting purposes	1,650	1,794
Alternative minimum tax credit carryforwards	2,865	3,192
Other, net	1,659	1,532
	-----	-----
Total deferred tax assets	9,853	11,895
	-----	-----
Net deferred tax liability before valuation allowance	(100,721)	(97,204)
Deferred tax asset valuation allowance	(1,320)	(1,320)
	-----	-----
	\$(102,041)	\$(98,524)
	=====	=====

The valuation allowance for deferred tax assets as of March 1, 1995 was \$1.3 million. The valuation allowance is required to reduce the amount of deferred tax assets to an amount which will more likely than not be realized.

At February 28, 1997, the Company has an alternative minimum tax credit carryforward of approximately \$3.2 million available to offset future regular taxes in excess of future alternative minimum taxes.

12. Extraordinary Item

In conjunction with the exchange of the senior subordinated debentures and the repurchase of the \$10.0 million of first mortgage bonds in fiscal 1996, as discussed in note 15, unamortized original issue discount of approximately \$2.0

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements - (continued)

million and unamortized issuance costs of approximately \$1.0 million were written off, resulting in an extraordinary loss, net of taxes, of approximately \$1.8 million.

13. Disclosures About The Fair Value of Financial Instruments

Cash, Trade Receivables, Other Receivables, Accounts Payable and Accrued Expenses

The carrying amount of these items approximates fair value because of the short maturity of these instruments.

Long-Term Debt

The fair values of each of the Company's long-term debt instruments are based on (a) the amount of future cash flows associated with each instrument discounted using the Company's current borrowing rate for similar debt instruments of comparable maturity; (b) in the case of the first mortgage bonds Series B and senior subordinated notes, market price; or (c) in the case of the first mortgage bonds - Series A, at par, because there is not a market for such securities (in thousands).

As of the last day  
of February 1997

	----- Carrying amount -----	Estimated fair market value -----
Senior subordinated notes	\$120,000	\$124,500
First mortgage bonds - Series A	140,000	140,000
First mortgage bonds - Series B	176,250	185,063
Mortgage notes payable	29,062	29,062

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements - (continued)

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

14. Gain on Insurance Settlement

Gain on insurance settlement of approximately \$17.0 million relates to the Company's settlement of its first party claims with its insurance carriers for business interruption, property damage and out-of-pocket expenses with respect to the December 1991 fire at the Company's Kansas City, Kansas warehouse facility. No previous income recognition was determinable until the Company had settled all of the lawsuits and claims related to the fire.

15. Plan of Reorganization Under Chapter 11

On May 9, 1995, the Company filed a prepackaged plan of reorganization (the "Plan") under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Oregon (the "Court"). The principal purpose of the Plan was to reduce the Company's short-term cash requirements with respect to payments due on its subordinated indebtedness and to adjust certain restrictive financial covenants and certain other provisions contained in the Amended and Restated Investment Agreement, dated March 2, 1993, between the Company and the Met. On June 19, 1995, the Court approved the Company's Disclosure Statement dated April 14, 1995 and the Company's solicitation of votes to accept or reject the Plan, and confirmed the Plan. On June 30, 1995, the Plan became effective.

In connection with the Plan, the Company rejected certain lease agreements relating to four warehouse facilities at Watsonville, Oakland and San Francisco, California; and Chicago, Illinois. In February 1996, the Company settled all lease rejection issues with the lessor of three properties located in Watsonville, Oakland

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AMERICOLD CORPORATION

Notes to Consolidated Financial Statements - (continued)

and San Francisco, California. Such settlement did not involve the payment of any damages by the Company. In September 1996, the Company settled all lease rejection issues with the lessor of the Chicago, Illinois property. Such settlement, representing one year's rent recovery by the lessor as provided by the Bankruptcy Code, required a payment of approximately \$0.4 million.

The Company has expensed the settlement payment and related professional fees and all professional fees and similar expenditures incurred related to the prepackaged bankruptcy as "reorganization expenses."

## PART I - Financial Information

## Item 1. Financial Statements

## AMERICOLD CORPORATION

## CONSOLIDATED BALANCE SHEETS

Last day of February 1997 and August 1997  
(In thousands, except share data)

	Last day of February 1997	Last day of August 1997
	-----	----- (Unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 13,702	\$ 16,315
Trade receivables, net	27,560	28,677
Other receivables, net	3,138	3,319
Prepaid expenses	3,828	3,276
Tax refund receivable	2,636	2,669
Other current assets	891	733
	-----	-----
Total current assets	51,755	54,989
Property, plant and equipment, less accumulated depreciation of \$192,649 and \$202,385, respectively	384,484	375,501
Cost in excess of net assets acquired, less accumulated amortization of \$24,644 and \$25,897, respectively	74,749	73,496
Other noncurrent assets	20,046	19,425
	-----	-----
Total assets	\$ 531,034	\$ 523,411
	=====	=====
<b>LIABILITIES, PREFERRED STOCK AND COMMON STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 16,116	\$ 12,989
Accrued interest	18,466	18,161
Accrued expenses	13,660	13,993
Deferred revenue	5,555	6,022
Current maturities of long-term debt	5,229	5,242
Other current liabilities	5,259	5,119
	-----	-----
Total current liabilities	64,285	61,526
Long-term debt, less current maturities	465,834	464,581
Deferred income taxes	98,524	97,532
Other noncurrent liabilities	10,347	10,443
	-----	-----
Total liabilities	638,990	634,082
	-----	-----
Preferred stock, \$100 par value; authorized 1,000,000 shares; issued and outstanding 52,936 and 46,797 shares, respectively	5,753	5,477
	-----	-----
Common stockholders' deficit:		
Common stock, \$.01 par value; authorized 10,000,000 shares; issued and outstanding 4,995,556 and 5,037,823 shares, respectively	50	50
Additional paid-in capital	51,182	51,870
Retained deficit	(164,580)	(167,707)
Equity adjustment to recognize minimum pension liability	(361)	(361)
	-----	-----
Total common stockholders' deficit	(113,709)	(116,148)
	-----	-----
Total liabilities, preferred stock and common stockholders' deficit	\$ 531,034	\$ 523,411
	=====	=====

See accompanying notes to consolidated financial statements.

AMERICOLD CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

Three and six months ended last day of August 1996 and 1997  
(In thousands, except per share data)

	Three months ended last day of August 1996 ----- (Unaudited)	Three months ended last day of August 1997 ----- (Unaudited)	Six months ended last day of August 1996 ----- (Unaudited)	Six months ended last day of August 1997 ----- (Unaudited)
Net sales	\$ 73,139 -----	\$ 73,299 -----	\$152,535 -----	\$145,807 -----
Operating expenses:				
Cost of sales	55,024	53,457	114,489	106,085
Amortization of cost in excess of net assets acquired	626	626	1,253	1,253
Selling and administrative expenses	7,312 -----	7,545 -----	15,035 -----	15,219 -----
Total operating expenses	62,962 -----	61,628 -----	130,777 -----	122,557 -----
Gross operating margin	10,177 -----	11,671 -----	21,758 -----	23,250 -----
Other (expense) income:				
Interest expense	(13,721)	(13,893)	(29,256)	(27,816)
Reorganization expenses	(403)	--	(403)	--
Other, net	(46) -----	722 -----	468 -----	785 -----
Total other expense	(14,170) -----	(13,171) -----	(29,191) -----	(27,031) -----
Loss before income taxes	(3,993)	(1,500)	(7,433)	(3,781)
Benefit for income taxes	1,320 -----	343 -----	2,424 -----	992 -----
Net loss	\$ (2,673) =====	\$ (1,157) =====	\$ (5,009) =====	\$ (2,789) =====
Net loss per common share	\$ (0.58) =====	\$ (0.26) =====	\$ (1.09) =====	\$ (0.62) =====
Weighted average number of shares outstanding	4,931 =====	5,012 =====	4,931 =====	5,004 =====

See accompanying notes to consolidated financial statements.

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AMERICOLD CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS Six  
months ended last day of August 1996 and 1997  
(In thousands)

	Six months ended last day of August 1996 ----- (Unaudited)	Six months ended last day of August 1997 ----- (Unaudited)
Cash flows from operating activities:		
Net loss	\$ (5,009)	\$(2,789)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation	10,203	10,534
Amortization and other noncash expenses	2,086	2,310
Changes in assets and liabilities	(5,826)	(176)
Provision for deferred taxes	(2,424) -----	(992) -----

Net cash provided (used) by operating activities	(970)	8,887
	-----	-----
Cash flows from investing activities:		
Net expenditures for property, plant and equipment	(15,220)	(5,979)
Other items, net	291	754
	-----	-----
Net cash used by investing activities	(14,929)	(5,225)
	-----	-----
Cash flows from financing activities:		
Principal payments under capitalized lease and other debt obligations	(1,457)	(1,240)
Proceeds from sale of senior subordinated notes	120,000	--
Retirement of senior subordinated debentures	(115,000)	--
Debt issuance costs	(5,379)	(50)
Release of escrowed funds	4,820	167
Issuance of stock	--	74
	-----	-----
Net cash provided (used) by financing activities	2,984	(1,049)
	-----	-----
Net increase (decrease) in cash and cash equivalents	(12,915)	2,613
	-----	-----
Cash and cash equivalents at beginning of period	20,857	13,702
	-----	-----
Cash and cash equivalents at end of period	\$ 7,942	\$16,315
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid year-to-date for interest, net of amounts capitalized	\$ 28,920	\$28,121
	=====	=====
Capital lease obligations incurred to lease new equipment	\$ 231	\$ --
	=====	=====
Cash paid during the year for income taxes	\$ 24	\$ 34
	=====	=====

See accompanying notes to consolidated financial statements.

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AMERICOLD CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION

The consolidated balance sheet as of the last day of August 1997; the related consolidated statements of operations for the six months ended the last day of August 1996 and August 1997; and the related consolidated statements of cash flows for the six months ended the last day of August 1996 and August 1997 are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of such financial statements have been included. Such adjustments consisted of normal recurring items. Interim results are not necessarily indicative of results for a full year. The financial information presented herein should be read in conjunction with the financial statements included in the registrant's Annual Report on Form 10-K for the year ended the last day of February 1997.

2. COMMON STOCKHOLDERS' DEFICIT

The Company has reserved 300,000 shares of common stock for issuance under a stock option plan established in 1987. Under the plan, options are granted by the Compensation Committee of the Board of Directors to purchase common stock at a price not less than 85% of the fair market value on the date the option is granted.

Information with regard to the plan as of the last day of August 1997 follows:

Weighted  
Average  
Exercise

	Shares	Price
	-----	-----
Outstanding at beginning of year	225,148	\$11.63
Granted	-	-
Exercised	(3,449)	10.00
Cancelled	-	-
Forfeited	(690)	10.00
	-----	-----
Outstanding	221,009	\$11.66
	=====	=====

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Options exercisable	93,009	\$10.79
	=====	=====

All stock options will become fully exercisable upon the completion of the merger discussed in Note 8.

3. PROVISION FOR INCOME TAXES

The provision for income taxes was computed using a tax rate of 39.2%. The tax rate was applied to loss before income taxes, after adjusting for amortization of cost in excess of net assets acquired.

4. LOSS PER COMMON SHARE

Loss per common share is computed by dividing net loss, less preferred dividend requirements, by the weighted average number of common shares outstanding. See Exhibit 11, Statement Regarding Computation of Per Share Earnings.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes highly liquid instruments, with original maturities of three months or less when purchased. There were cash equivalents totaling \$10.0 million and \$13.0 million as of the last day of February 1997 and August 1997, respectively.

6. LONG-TERM DEBT

On April 9, 1996, the Company sold \$120.0 million aggregate principal amount of the Company's 12.875% Senior Subordinated Notes due 2008. The Company used \$115.0 million of the proceeds to redeem at par on May 9, 1996 the Company's 15% Senior Subordinated Debentures due 2007. The remaining proceeds were used to pay transaction costs. The interest rate on the notes can be increased from 12.875% to 13.875% if the notes are not rated "B- or higher" by Standard & Poor's and "B3 or higher" by Moody's Investors Service by November 1, 1997. The notes have been rated "B-" by Standard and Poor's since they were issued, and as of September 30, 1997, "Caa" by Moody's Investors Service.

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7. NEW ACCOUNTING STANDARDS

The Company has not implemented the reporting requirements of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128"), although it will be required to do so during the fourth quarter of fiscal 1998 and thereafter. This Statement establishes a different method of computing net income per share than is currently required under the provisions of Accounting Principles Board Opinion No. 15. Under SFAS No. 128, the Company will be required to present both basic net income per share and diluted net income per share. The Company estimates that the adoption of SFAS No. 128 will not have a material impact on its income per share.

The Company has not implemented the reporting requirements of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"), although it will be required to do so during the first quarter of fiscal 1999 and thereafter. This Statement establishes standards for reporting and display of comprehensive income and its components. The Company does not believe that the adoption of SFAS No. 130 will have a material

impact on its financial statement presentation.

The Company has not implemented the reporting requirements of Financial Accounting Standards Board Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"), although it will be required to do so for fiscal 1999 and thereafter. This statement establishes standards for reporting operating segments in annual financial statements and requires selected information about operating segments in interim financial statements. The Company believes it may be required to show information not currently disclosed.

8. SUBSEQUENT EVENT

On September 29, 1997, the Company announced that it had entered into a merger agreement pursuant to which Vornado Realty Trust ("Vornado") would acquire the Company. Vornado announced that, in addition, it had also entered into a merger agreement to acquire URS Logistics, Inc. (Kelso & Company, who owns a controlling interest in the Company, holds approximately 57% of the common equity of URS Logistics, Inc). Vornado also announced that it had entered into a partnership agreement with Crescent Real Estate Equities Company ("Crescent") to make the acquisitions, with Vornado controlling 60% of the partnership and Crescent 40%.

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The consideration for the acquisition of the Company is approximately \$582 million, including \$111 million in cash and \$471 million in indebtedness. The price to be paid to the shareholders per common share is \$20.70. The purchase price also includes the redemption of the Company's preferred stock for \$100 per share, its par value, plus accrued and unpaid dividends to the date of closing, and the buyout of all existing stock options at \$20.70 per share, less the exercise price of each option share. The transaction is expected to close no later than December 31, 1997.

The Company believes that the transaction, when completed, will afford the Company the opportunity to improve its capital structure and provide substantial capital to support warehouse growth.

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders  
URS Logistics, Inc.:

We have audited the accompanying consolidated balance sheets of URS Logistics, Inc. (the "Company") and subsidiary as of December 31, 1996 and 1995 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiary as of December 31, 1996 and 1995 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

Atlanta, Georgia  
March 7, 1997  
(October 3, 1997 as to Note 10)

## URS LOGISTICS, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 1996 AND 1995

ASSETS	1996	1995
CURRENT ASSETS:		
Cash and cash investments	\$ 904,000	\$ 1,722,000
Trade accounts receivable, less allowance for doubtful accounts of \$100,000 in 1996 and 1995	17,345,000	14,391,000
Other current assets	2,072,000	1,775,000
Refundable income taxes	1,015,000	190,000
Deferred income taxes	2,303,000	2,206,000
	-----	-----
Total current assets	23,639,000	20,284,000
OTHER ASSETS:		
Loan closing costs	4,334,000	4,952,000
Investment in partnership	2,838,000	2,058,000
Other	872,000	954,000
	-----	-----
Total other assets	8,044,000	7,964,000
PROPERTY, PLANT, AND EQUIPMENT:		
Land	15,617,000	14,286,000
Buildings and improvements	228,610,000	219,323,000
Machinery and equipment	70,036,000	66,440,000
Construction-in-progress	1,772,000	2,005,000
	-----	-----
	316,035,000	302,054,000
Less accumulated depreciation	86,474,000	73,209,000
	-----	-----
Property, plant, and equipment, net	229,561,000	228,845,000
CAPITALIZED LEASES:		
Refrigerated warehouse facilities	15,828,000	15,828,000
Equipment	5,321,000	2,967,000
	-----	-----
	21,149,000	18,795,000
Less accumulated depreciation	3,401,000	2,720,000
	-----	-----
Capitalized leases, net	17,748,000	16,075,000
	-----	-----
	\$278,992,000	\$273,168,000
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	1996	1995
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 14,898,000	\$ 13,590,000
Current portion of:		
Long-term debt	5,523,000	4,938,000
Capitalized lease obligations	869,000	470,000
	-----	-----
Total current liabilities	21,290,000	18,998,000
LONG-TERM DEBT - Less current portion	147,660,000	147,701,000
CAPITALIZED LEASE OBLIGATIONS - Less current portion	16,499,000	15,015,000
DEFERRED INCOME TAXES	50,761,000	51,337,000
OTHER LIABILITIES	1,892,000	1,968,000
STOCKHOLDERS' EQUITY:		
Common stock; par value \$.10 per share; 100,000 shares authorized; 48,687 shares issued and outstanding at December 31, 1996 and 1995	5,000	5,000
Additional paid-in capital	44,766,000	44,766,000
Accumulated deficit	(3,296,000)	(6,160,000)
	-----	-----
	41,475,000	38,611,000
Less:		
Due from stockholders	288,000	361,000
Treasury stock - 192 shares and 96 shares at December 31, 1996 and 1995, at cost	297,000	101,000
	-----	-----
Stockholders' equity, net	40,890,000	38,149,000
	-----	-----
	\$278,992,000	\$273,168,000
	=====	=====

See notes to consolidated financial statements.

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URS LOGISTICS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 1996, 1995, AND 1994

	1996	1995	1994
REVENUES	\$ 144,229,000	\$ 138,938,000	\$ 126,337,000
OPERATING EXPENSES:			
Cost of services	94,931,000	94,967,000	87,984,000
General and administrative	12,259,000	10,239,000	9,728,000
Depreciation and amortization	14,574,000	14,958,000	13,484,000
Total operating expenses	121,764,000	120,164,000	111,196,000
	22,465,000	18,774,000	15,141,000
INTEREST EXPENSE	(18,037,000)	(18,425,000)	(18,446,000)
INTEREST INCOME	263,000	215,000	105,000
	(17,774,000)	(18,210,000)	(18,341,000)
NET INCOME (LOSS) BEFORE INCOME TAXES	4,691,000	564,000	(3,200,000)
INCOME TAX (EXPENSE) BENEFIT	(1,827,000)	(324,000)	552,000
NET INCOME (LOSS)	\$ 2,864,000	\$ 240,000	\$ (2,648,000)

See notes to consolidated financial statements.

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URS LOGISTICS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 1996, 1995, AND 1994

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	DUE FROM STOCKHOLDERS	TREASURY STOCK	
	NUMBER OF SHARES	PAR VALUE				NUMBER OF SHARES	COST
BALANCE - December 31, 1993	40,508	\$ 4,000	\$36,035,000	\$(3,752,000)	\$(433,000)		
Sale of common stock:							
Proceeds	8,179	1,000	9,099,000				
Transaction costs			(368,000)				
			8,731,000				
Purchase of treasury shares					72,000	96	\$(101,000)
Net loss				(2,648,000)			
BALANCE - December 31, 1994	48,687	\$ 5,000	\$44,766,000	\$(6,400,000)	\$(361,000)	96	\$(101,000)
Net income				240,000			
BALANCE - December 31, 1995	48,687	5,000	44,766,000	(6,160,000)	(361,000)	96	(101,000)
Purchase of treasury shares					73,000	96	(196,000)
Net income				2,864,000			
BALANCE - December 31, 1996	48,687	\$ 5,000	\$44,766,000	\$(3,296,000)	\$(288,000)	192	\$(297,000)

See notes to consolidated financial statements.

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URS LOGISTICS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 1996, 1995, AND 1994

	1996	1995	1994
OPERATING ACTIVITIES:			
Net income	\$ 2,864,000	\$ 240,000	\$(2,648,000)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	14,574,000	14,958,000	13,484,000
Gain on disposal of assets	(7,000)	(20,000)	(24,000)
Partnership earnings	(687,000)	(172,000)	(125,000)
Changes in assets and liabilities:			
Trade accounts receivable	(2,954,000)	1,270,000	(1,261,000)
Other current assets	(297,000)	(293,000)	(455,000)
Accounts payable and accrued expenses	1,308,000	(950,000)	3,983,000
Deferred income taxes	(673,000)	(1,304,000)	(1,370,000)
Other liabilities	(76,000)	136,000	137,000
Refundable income taxes	(825,000)	(42,000)	168,000
	-----	-----	-----
Net cash provided by operating activities	13,227,000	13,823,000	11,889,000
INVESTING ACTIVITIES:			
Additions to property, plant, and equipment	(13,994,000)	(12,828,000)	(21,212,000)
Proceeds from disposals of property, plant, and equipment	9,000	20,000	6,384,000
Contribution to partnership	(630,000)	(701,000)	
Partnership distributions	537,000	414,000	285,000
Payments received on notes receivable	42,000	33,000	28,000
Decrease in other long-term assets	40,000	35,000	146,000
	-----	-----	-----
Net cash used in investing activities	(13,996,000)	(13,027,000)	(14,369,000)
FINANCING ACTIVITIES:			
Proceeds from borrowings	11,483,000	21,000,000	
Payments on long-term debt	(10,939,000)	(18,765,000)	(4,508,000)
Principal payments under capital lease obligations	(470,000)	(708,000)	(570,000)
Purchase of treasury stock	(123,000)		(29,000)
Loan closing costs		(1,813,000)	(414,000)
Proceeds from issuance of common stock, net of transaction costs			8,732,000
Debt service reserve refunding		4,000	193,000
	-----	-----	-----
Net cash used in financing activities	(49,000)	(282,000)	3,404,000
	-----	-----	-----
NET CHANGE IN CASH AND CASH INVESTMENTS	(818,000)	514,000	924,000
CASH AND CASH INVESTMENTS:			
Beginning of year	1,722,000	1,208,000	284,000
	-----	-----	-----
End of year	\$ 904,000	\$1,722,000	\$ 1,208,000
	=====	=====	=====

(Continued)

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URS LOGISTICS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 1996, 1995, AND 1994

	1996	1995	1994
SUPPLEMENTAL DISCLOSURES:			
Interest paid, net of amount capitalized	\$ 18,045,000	\$18,396,000	\$ 18,444,000
	=====	=====	=====
Income taxes paid	\$ 3,324,000	\$ 2,138,000	\$ 423,000

SUPPLEMENTAL INFORMATION ABOUT NONCASH FINANCING

INVESTING AND FINANCING ACTIVITIES:

Capital lease obligations of \$2,353,000 were incurred during the year ended December 31, 1996 when the Company entered into new leases for equipment.

See notes to consolidated financial statements.

(Concluded)

URS LOGISTICS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 1996, 1995, AND 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the accounts of URS Logistics, Inc. (formerly United Refrigerated Services, Inc. - the "Company") and its wholly owned subsidiary, United Refrigerated Services of Texarkana, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company operates and manages public refrigerated warehouses in the continental United States.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Depreciation and amortization are computed on the straight-line method over the estimated remaining useful lives of the respective assets, which are generally 50 years for buildings, 20 years for building improvements, and 5-12 years for machinery and equipment. Depreciation and amortization begin the month in which the asset is placed into service. For federal income tax purposes, accelerated depreciation methods and shorter lives are utilized.

Loan closing costs are capitalized and amortized on the straight-line method over the term of the loan to which they apply.

Lease agreements are classified as capital or operating in accordance with Statement of Financial Accounting Standards ("SFAS") 13, "Accounting for Leases," including subsequent amendments and interpretations. Capitalized leases are recorded at the lower of the present value of future lease payments or the fair market value of the property. Capitalized leases are depreciated on a straight-line basis over the lease terms for real estate and the estimated asset life or lease term for equipment, whichever is shorter.

The Company charges construction costs with interest on borrowed funds during the construction period of major facilities. This interest is subsequently charged to operations through depreciation over the life of capitalized property. Approximately \$190,000, \$280,000, and \$406,000 of interest was capitalized during the years ended December 31, 1996, 1995 and 1994, respectively.

The Company defines "cash and cash investments" as all unrestricted cash and highly liquid investments with an original maturity of three months or less.

Revenues include storage and handling fees and management fees for locations managed on behalf of third parties. Costs related to managed facilities are included in operating expenses.

The Company charges customers for certain storage and handling in advance, but defers the related revenue until it has been earned. Unearned revenue of approximately \$2,088,000, \$2,423,000, and

\$2,430,000 is included in accounts payable and accrued expenses at December 31, 1996, 1995, and 1994, respectively.

The Company records deferred income taxes for the difference in the bases of assets and liabilities for tax and financial statement purposes and

the enacted rates in effect in the years that the differences are expected to reverse.

The Company evaluates possible impairment of noncurrent assets and recognition of impairment losses whenever circumstances indicate that the carrying value of such assets may be less than their fair values.

Certain reclassifications of prior year balances have been made to conform with current year financial statement presentation.

2. INVESTMENT IN PARTNERSHIP

The Company's wholly owned subsidiary is a partner with an unrelated third party (collectively the "Partnership") for the purpose of operating a public refrigerated warehouse in Texarkana, Arkansas. The investment is accounted for using the equity method.

The Company is entitled to 50% of the Partnership's earnings. Included in revenues in 1996, 1995, and 1994 are \$687,000, \$172,000, and \$125,000, respectively, representing the Company's equity in the earnings of the Partnership.

The partnership owns land and building and is responsible for the related mortgage debt. The Company has guaranteed approximately \$3,735,000 that represents 50% of the mortgage debt.

3. LONG-TERM DEBT

	1996	1995
Term Note A	\$ 11,700,000	\$16,639,000
Term Note B	42,000,000	42,000,000
Term Note C	73,000,000	73,000,000
Line of credit borrowings	26,483,000	21,000,000
Mortgage loan, interest at 11.08%		
Equipment notes, interest at 9.75% to 11.05%		
	-----	-----
	153,183,000	152,639,000
Less current portion	5,523,000	4,938,000
	-----	-----
	\$ 147,660,000	\$147,701,000
	=====	=====

Term Notes A, B, and C, issued in 1989, require semi-annual payments of interest only at 11.52% for initial periods of 5, 10, and 15 years, respectively. Term Note A requires semi-annual principal and interest payments of \$3,358,000 from June 15, 1994 through December 15, 1998. Term Note B requires semi-annual principal and interest payments of \$5,642,000 from June 15, 1999 through December 15,

2003. Term Note C requires semi-annual principal and interest payments of \$9,806,000 from June 15, 2004 through December 15, 2008.

The Company's revolving line of credit currently provides for borrowings of up to \$30,000,000, with availability reduced by outstanding borrowings and letters of credit issued (outstanding letters of credit totaled \$3,517,000 at December 31, 1996). Under certain circumstances, the Company can obtain up to an additional \$10,000,000 in borrowing capacity by meeting certain financial targets and by providing additional collateral.

Beginning on June 30, 1998, amount of available credit declines under certain circumstances. The line matures and the outstanding balance becomes payable in full on June 2, 2000, the fifth anniversary of the line.

At the Company's option, borrowings under the line bear interest at formula rates based on the Federal Funds rate, the prime rate, or Eurodollar lending rates. The weighted average interest rate applicable to borrowings at December 31, 1996 was 8.60%.

The Company has entered into interest rate swap agreements to reduce the impact of changes in interest rates on its line of credit borrowings. At December 31, 1996, the Company had outstanding two interest rate swap agreements with commercial banks, having a total notional principal amount of \$16 million. These agreements effectively convert the Company's floating reference interest rate (based on three-month LIBOR) on \$16 million of its revolving line of credit borrowings to a fixed reference rate of 5.42%. The interest rate swap agreements mature in December 1997. Although the Company is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreements, the Company does not anticipate nonperformance by the counterparties. The interest rate swap agreements resulted in an immaterial

amount of net interest income for the year ended December 31, 1996.

The loan agreements covering the Term Notes and the revolving line of credit contain covenants requiring maintenance of certain financial ratios, earnings levels, and net worth. The agreements also place restrictions on additional borrowings, dividend payments, stock redemptions, mergers, and sale of assets. The Company is in compliance with all such covenants at December 31, 1996.

The weighted average interest rate on the debt outstanding at December 31, 1996 was 11.02%. All long-term debt is collateralized by substantially all owned property, plant, and equipment.

As of December 31, 1996 approximate annual principal payments on total long-term debt are:

1997	\$	5,523,000
1998		6,178,000
1999		16,631,000
2000		23,899,000
2001		8,295,000
Thereafter		92,657,000
		-----
	\$	153,183,000
		=====

#### 4. LEASE COMMITMENTS

The Company leases two refrigerated warehouse facilities from entities owned by a significant shareholder. These leases are classified as capital leases. The lease terms expire on April 1, 2013. Fixed

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rental payments under these leases aggregate \$1,650,000 annually. The Company also leases under an operating lease one refrigerated warehouse facility from an entity owned by a significant shareholder. The lease term expires on December 30, 2010 and may be extended for two five-year periods at the option of the Company. The future minimum lease payments under this lease are set at \$1,120,000 annually.

The Company also has both capital and operating lease agreements for equipment and other facilities. The Company pays taxes, insurance, and maintenance costs on substantially all of the leased property. Lease terms generally range from 5 to 20 years with renewal or purchase options.

As of December 31, 1996, future minimum lease payments under these leases are as follows:

	Refrigerated Warehouse Facilities and Equipment		Headquarters Facility Operating Lease	Total Operating Leases
	Capitalized Leases	Operating Leases		
1997	\$ 2,363,000	\$8,376,000	\$ 429,000	\$ 8,805,000
1998	2,401,000	7,312,000	476,000	7,788,000
1999	2,401,000	6,648,000	487,000	7,135,000
2000	2,273,000	6,262,000	434,000	6,696,000
2001	2,398,000	5,920,000	445,000	6,365,000
Thereafter	18,495,000	35,215,000	913,000	36,128,000
	-----	-----	-----	-----
Total minimum obligations	30,331,00	\$69,733,000	\$3,184,000	\$72,917,000
		=====	=====	=====
Less interest portion	12,963,000			
	-----			
Present value of net minimum payments	17,368,000			
Less current portion	869,000			
	-----			
	\$16,499,000			
	=====			

Included in the above future minimum lease payments are the following future payments to related parties:

	Capitalized Leases	Operating Leases
1997	\$1,650,000	\$1,120,000
1998	1,650,000	1,120,000
1999	1,650,000	1,120,000
2000	1,650,000	1,120,000
2001	1,650,000	1,120,000
Thereafter	18,449,000	10,076,000
	-----	-----
Total minimum obligations	\$26,699,000	\$15,676,000
	=====	=====

Rental expense for all operating leases was \$9,092,000 in 1996, \$9,202,000 in 1995, and \$8,261,000 in 1994.

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5. TAXES ON INCOME

Deferred income taxes at December 31, 1996 and 1995 consist of the tax effects of temporary differences in the basis of assets and liabilities for financial reporting and tax purposes as follows:

	1996	1995
Current assets:		
Deferred revenue	\$ 814,000	\$ 945,000
Accrued expenses	1,489,000	1,261,000
	-----	-----
	\$ 2,303,000	\$2,206,000
	=====	=====
Noncurrent liabilities:		
Depreciation	\$ 52,848,000	\$54,126,000
Other	(2,087,000)	(2,789,000)
	-----	-----
	\$ 50,761,000	\$1,337,000
	=====	=====

Tax benefit (expense) for December 31, 1996, 1995, and 1994 consists of the following:

	1996	1995	1994
Current Expense:			
Federal	\$ (1,707,000)	\$(1,109,000)	\$ (696,000)
State	(793,000)	(519,000)	(122,000)
	-----	-----	-----
	(2,500,000)	(1,628,000)	(818,000)
Deferred Benefit	673,000	1,304,000	1,370,000
	-----	-----	-----
Net (Expense) Benefit	\$ (1,827,000)	\$ (324,000)	\$ 552,000
	=====	=====	=====

Reconciliations of the differences between the federal statutory rate in 1996, 1995, and 1994 and the effective tax rate in those years are as follows:

Federal statutory rate	35.0%	34.9%	(35.0)%
State taxes, net of Federal benefit	6.7	6.6	6.4
Non-deductible expenses	2.7	17.7	3.4
Increase in tax credit carryforward	(6.2)	0.0	0.0
Other	0.8	(1.8)	7.9
	-----	-----	-----
Effective tax rate	38.9%	57.4%	(17.3)%

In 1996, the Company amended certain of its previously filed tax returns. The amended filings resulted in an increase in certain tax credit carryforward amounts, which have been included as a reduction of 1996 tax expense.

The Company has alternative minimum tax credit carryforwards for tax purposes of approximately \$1,813,000 at December 31, 1996, which have been recognized for financial reporting purposes.

6. SIGNIFICANT CUSTOMERS

In 1996, revenues from two customers represented 10% each of total revenue. In 1995, revenues from one customer represented 10% of total revenue. A significant portion of the Company's customers operate in the processed foods industry.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

Based on borrowing rates currently available to the Company for loans with similar terms and average maturities, the fair value of long-term debt was approximately \$166,047,000 at December 31, 1996 and \$169,283,000 at December 31, 1995. Based on the contractual interest rates and maturity dates of the Company's interest rate swaps, the fair value of such swaps at December 31, 1996 was not significant.

8. EMPLOYEE BENEFIT PLANS

Profit Sharing - The Company has a defined contribution employee benefit plan which covers all eligible employees. The Company's profit sharing expense was \$1,536,000 in 1996, \$1,509,000 in 1995, and \$1,378,000 in 1994. The plan was also allows contributions by plan participants in accordance with Section 401(k) of the Internal Revenue Code.

Deferred Compensation - The Company has deferred compensation and supplemental retirement plan agreements with certain of its executives. The agreements provide for certain benefits at retirement or disability, and also provide for survivor benefits in the event of death of the employee. The Company charges expense for the accretion of the liability each year.

The Company is presently funding the plan through a life insurance program which protects it against losses due to acceleration of benefits arising from disability or death and provides for the funds expected to be needed for the normal benefits.

The net expense for all deferred compensation and supplemental retirement plans was approximately \$207,000 for 1996, \$179,000 for 1995, and \$170,000 for 1994.

9. STOCK WARRANTS AND TRANSACTIONS

In October 1996, the Company issued warrants to certain employees that allow the holders to purchase up to 4,535 shares of the Company's common stock. These warrants were outstanding and vested at December 31, 1996 and were exercisable only in the event of a change in control of the Company. The warrants were issued in four series, each series becoming exercisable if the exit value, as defined, exceeded the threshold value specified in each series. Generally, exit value is equivalent to the price per share realized in a change in control transaction.

The exercise price of all warrants is \$1,100 per share. In the event of a change in control, the warrant holder may elect to receive a cash payment equal to the excess of the exit value over the exercise price of the warrant. The Company recorded no expense in connection with these warrants for the year ended December 31, 1996 (see Note 10).

On December 1, 1994, a preexisting shareholder purchased an additional 8,179 shares of common stock for total consideration of \$9,100,000, \$6,100,000 of which was paid in cash and the remaining amount paid by means of forgiveness of the Company's \$3,000,000 promissory note payable to such shareholder. In addition, in consideration of shareholder's prior furnishing of the promissory note and its agreement to forego all interest due under such note, the shareholder received warrants to purchase an additional 1,250 shares of common stock at par value, exercisable at any time prior to the tenth anniversary of their issuance.

10. SUBSEQUENT EVENTS

On June 27, 1997, the Company entered into an agreement amending and restating the credit facility dated June 2, 1995 among the Company's various lending institutions party thereto and Bankers Trust Company, as

agent. The agreement included a \$40,000,000 Revolving Credit Facility with a five-year term and a \$40,000,000 term loan with a six-year maturity. Both the term loan and borrowings under the line bear interest at formula rates based on the Federal Funds rate, the Prime rate, or Eurodollar lending rates. The term loan currently bears a rate of LIBOR plus 3%. All amounts outstanding under the original credit agreement were paid with proceeds from the term loan. There have been no borrowings under the amended and restated Revolving Credit Facility.

Also on June 27, 1997, the Company executed an agreement to purchase a frozen and dry warehouse complex located in Montezuma, Georgia, together with related equipment and other tangible and intangible property. In addition, the seller engaged the Company to provide on going logistical services. Total purchase price of the warehouse complex was approximately \$9,200,000 and was financed through the term loan.

On September 26, 1997, the Company's shareholders signed an agreement to sell 100% of the Company's common stock to Vornado Realty Trust ("Vornado") for approximately \$365,000,000 less debt and adjusted for the change in working capital, as defined, at final closing. Final consummation of the transaction is anticipated by December 31, 1997.

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In connection with the sale of the Company to Vornado, warrants issued to employees for 3,000 shares of the Company's common stock will become exercisable. The remaining 1,535 warrants will expire. The Company recorded \$6,837,000 of expense in connection with the exercise of these warrants.

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URS LOGISTICS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

	JUNE 30, 1997 (UNAUDITED)	DECEMBER 31, 1996
ASSETS		
CURRENT ASSETS:		
Cash and cash investments	\$ 3,728,000	\$ 904,000
Trade accounts receivable, less allowance for doubtful accounts of \$100,000 in 1997 and 1996	13,359,000	17,345,000
Other current assets	3,535,000	2,072,000
Refundable income taxes	150,000	1,015,000
Deferred income taxes	2,303,000	2,303,000
	-----	-----
Total current assets	23,075,000	23,639,000
OTHER ASSETS:		
Loan closing costs	5,441,000	4,334,000
Investment in partnership	2,854,000	2,838,000
Other	1,050,000	872,000
	-----	-----
Total other assets	9,345,000	8,044,000
PROPERTY, PLANT, AND EQUIPMENT:		
Land	15,704,000	15,617,000
Buildings and improvements	235,776,000	228,610,000
Machinery and equipment	74,284,000	70,036,000
Construction-in-progress	4,909,000	1,772,000
	-----	-----
330,673,000	330,673,000	316,035,000
Less accumulated depreciation	93,424,000	86,474,000
	-----	-----
Property, plant, and equipment, net	237,249,000	229,561,000
CAPITALIZED LEASES:		
Refrigerated warehouse facilities	15,828,000	15,828,000
Equipment	6,629,000	5,321,000
	-----	-----
22,457,000	22,457,000	21,149,000
Less accumulated depreciation	4,014,000	3,401,000
	-----	-----

Capitalized leases, net	18,443,000	17,748,000
	-----	-----
	\$288,112,000	\$278,992,000
	=====	=====

(Continued)

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URS LOGISTICS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

	JUNE 30, 1997 (UNAUDITED)	DECEMBER 31, 1996
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 11,932,000	\$ 14,898,000
Current portion of:		
Long-term debt	5,841,000	5,523,000
Capitalized lease obligations	895,000	869,000
	-----	-----
Total current liabilities	18,668,000	21,290,000
LONG-TERM DEBT - Less current portion	158,175,000	147,660,000
CAPITALIZED LEASE OBLIGATIONS - Less current portion	17,311,000	16,499,000
DEFERRED INCOME TAXES	49,905,000	50,761,000
OTHER LIABILITIES	1,719,000	1,892,000
STOCKHOLDERS' EQUITY:		
Common stock; par value \$.10 per share; 100,000 shares authorized; 48,687 shares issued and outstanding at June 30, 1997 and December 31, 1996	5,000	5,000
Additional paid-in capital	44,766,000	44,766,000
Accumulated deficit	(1,999,000)	(3,296,000)
	-----	-----
42,772,000	41,475,000	
Less:		
Due from stockholders	91,000	288,000
Treasury stock - 240 shares and 192 shares at June 30, 1997 and December 31, 1996, at cost	347,000	297,000
	-----	-----
Stockholders' equity, net	42,334,000	40,890,000
	-----	-----
	\$288,112,000	\$ 278,992,000
	-----	-----

See notes to condensed consolidated financial statements.

(Concluded)

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URS LOGISTICS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	SIX MONTHS ENDED JUNE 30,	
	1997 (UNAUDITED)	1996 (UNAUDITED)
REVENUES	\$ 76,320,000	\$ 71,219,000
OPERATING EXPENSES:		
Cost of services	51,273,000	46,091,000
General and administrative	5,968,000	5,060,000
Depreciation and amortization	7,872,000	7,209,000
	-----	-----
Total operating expenses	65,113,000	58,360,000

	-----	-----
	11,207,000	12,859,000
INTEREST EXPENSE	(9,183,000)	(9,157,000)
INTEREST INCOME	102,000	141,000
	-----	-----
Total expense	(9,081,000)	(9,016,000)
	-----	-----
NET INCOME BEFORE INCOME TAXES	2,126,000	3,843,000
INCOME TAX EXPENSE	(829,000)	(1,499,000)
	-----	-----
NET INCOME	\$ 1,297,000	\$ 2,344,000
	=====	=====

See notes to condensed consolidated financial statements.

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URS LOGISTICS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED	
	JUNE 30,	
	-----	-----
	1997	1996
	(UNAUDITED)	(UNAUDITED)
OPERATING ACTIVITIES:		
Net income	\$ 1,297,000	\$ 2,344,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,872,000	7,209,000
Gain on disposal of assets		(1,000)
Partnership earnings	(449,000)	(276,000)
Changes in assets and liabilities:		
Trade accounts receivable	3,986,000	1,074,000
Other current assets	(1,463,000)	(1,315,000)
Accounts payable and accrued expenses	(2,966,000)	612,000
Deferred income taxes	(856,000)	(902,000)
Other liabilities	(173,000)	29,000
Refundable income taxes	865,000	190,000
	-----	-----
Net cash provided by operating activities	8,113,000	8,964,000
INVESTING ACTIVITIES:		
Additions to property, plant, and equipment	(14,638,000)	(4,289,000)
Additions to capitalized leases	(1,308,000)	
Proceeds from disposals of property, plant, and equipment		2,000
Contributions to partnership		(630,000)
Distributions from partnership	433,000	26,000
Payments received on notes receivable	17,000	19,000
Change in other long term assets	(195,000)	77,000
	-----	-----
Net cash used in investing activities	(15,691,000)	(4,795,000)
FINANCING ACTIVITIES:		
Proceeds from borrowings	47,000,000	5,000,000
Payments on long-term debt	(36,167,000)	(7,402,000)
Additions to capitalized lease obligations	1,309,000	20,000
Principal payments under capital lease obligations	(471,000)	(247,000)
Payments received on notes receivable shareholders	197,000	
Purchase of treasury stock	(50,000)	
Loan closing costs	(1,416,000)	
	-----	-----
Net cash provided by (used in) financing activities	10,402,000	(2,629,000)
	-----	-----
NET CHANGE IN CASH AND CASH INVESTMENTS	2,824,000	1,540,000
CASH AND CASH INVESTMENTS:		
Beginning of period	904,000	1,722,000
	-----	-----
End of period	\$ 3,728,000	\$ 3,262,000

See notes to condensed consolidated financial statements.

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URS LOGISTICS, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 1997 AND 1996 (UNAUDITED)

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1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles which in certain instances require the use of management's estimates. The information contained in these condensed consolidated financial statements and notes for the six-month periods ended June 30, 1997 and 1996 is unaudited but, in the opinion of management, all adjustments necessary for a fair presentation of such information have been made. All adjustments are of a normal recurring nature. Reclassifications of certain 1996 amounts have been made to conform with the 1997 presentation. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to applicable rules and regulations of the Securities and Exchange Commission.

2. CONSOLIDATION POLICY

The condensed consolidated financial statements include the accounts of URS Logistics, Inc. (formerly United Refrigerated Services, Inc. - the "Company") and its wholly owned subsidiary, United Refrigerated Services of Texarkana, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

3. NATURE OF OPERATIONS

The Company operates and manages public refrigerated warehouses in the continental United States.

The Company records deferred income taxes for the difference in the bases of assets and liabilities for tax and financial statement purposes and the enacted rates in effect in the years that the differences are expected to reverse.

The Company evaluates possible impairment of noncurrent assets and recognition of impairment losses whenever circumstances indicate that the carrying value of such assets may be less than their fair values. There was no impact on the Company's financial statements of adopting this policy for the year ended December 31, 1995.

Certain reclassifications of prior year balances have been made to conform with current year financial statement presentation.

4. RECENT EVENTS

On June 27, 1997, the Company entered into an agreement amending and restating the credit facility dated June 2, 1995 among the Company's various lending institutions party thereto and Bankers Trust Company, as agent. The agreement included a \$40,000,000 Revolving Credit Facility with a five-year term and a \$40,000,000 term loan with a six-year maturity. Both the term loan and borrowings under the line bear interest at formula rates based on the Federal Funds rate, the Prime rate, or Eurodollar lending rates. The term loan currently bears a rate of LIBOR plus 3%. All amounts outstanding under the original credit agreement were paid with proceeds from the term loan. There have been no borrowings under the amended and restated Revolving Credit Facility.

Also on June 27, 1997, the Company executed an agreement to purchase a frozen and dry warehouse complex located in Montezuma, Georgia, together with related equipment and other tangible and intangible property. In addition, the Seller engaged the Company to provide on-going logistical services. Total purchase price of the warehouse complex was approximately \$9,200,000 and was financed through the term loan.

On September 26, 1997, the Company's shareholders signed an agreement to sell 100% of the Company's common stock to Vornado Realty Trust for approximately \$365,000,000 less debt and adjusted for change in working capital at final closing. Final consummation of the transaction is anticipated by December 31, 1997.

In connection with the sale of the Company to Vornado, warrants issued to employees for 2,000 shares of the Company's common stock will become exercisable. The remaining 1,525 warrants will expire. The Company recorded \$6,837,000 of expense in connection with the exercise of these warrants.

## INDEPENDENT AUDITORS' REPORT

To the Stockholders of Vornado Realty Trust:

We have audited the statement of revenue and certain expenses of The Montehiedra Town Center (the "Property"), as described in Note 1, for the year ended December 31, 1996. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in a Form 8-K to be filed by Vornado Realty Trust, as described in Note 1, and is not intended to be a complete presentation of the Property's revenue and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the statement of revenue and certain expenses of the Property, as described in Note 1, for the year ended December 31, 1996, in conformity with generally accepted accounting principles.

Boston, Massachusetts  
October 3, 1997

## THE MONTEHIEDRA TOWN CENTER

STATEMENTS OF REVENUE AND CERTAIN EXPENSES  
(IN THOUSANDS OF DOLLARS)

	FOR THE THREE MONTHS ENDED MARCH 31,		FOR THE YEAR ENDED DECEMBER 31,
	1997	1996	1996
	-----		-----
	(UNAUDITED)	(UNAUDITED)	
REVENUE:			
Minimum and percentage rents	\$ 2,059	\$1,793	\$8,086
Tenant recoveries	470	350	2,104
Other income	57	16	106
	-----	-----	-----
Total revenues	2,586	2,159	10,296
	-----	-----	-----
CERTAIN EXPENSES:			
Real estate taxes	87	88	349
Management fee	65	54	211
General operating expenses	433	403	1,973
	-----	-----	-----
Total certain expenses	585	545	2,533
	-----	-----	-----
REVENUES IN EXCESS OF CERTAIN EXPENSES	\$ 2,001	\$1,614	\$7,763
	=====	=====	=====

See notes to statements of revenue and certain expenses.

## THE MONTEHIEDRA TOWN CENTER

## NOTES TO STATEMENTS OF REVENUE AND CERTAIN EXPENSES

1. ORGANIZATION AND BASIS OF PRESENTATION

The statements of revenue and certain expenses reflect the operations of The Montehiedra Town Center (the "Property"), a 529,000 square foot shopping center located in Rio Piedras, Puerto Rico. The Property was developed and owned by Big Beaver of Rio Piedras Development Corporation, a wholly owned subsidiary of Kmart Corporation. On April 18, 1997, Big Beaver of Rio Piedras Development Corporation sold its interest in the Property to Vornado Montehiedra Acquisition L.P. The statements of revenue and certain expenses are to be included in a Form 8-K to be filed by Vornado Realty Trust.

The accounting records of the Property are maintained in accordance with generally accepted accounting principles. The accompanying financial statement excludes certain expenses such as interest, depreciation and amortization, certain professional fees, and other costs not directly related to the future operations of the Property.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The statements of revenue and certain expenses for the three-month periods ended March 31, 1997 and 1996 are unaudited; however, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for the fair presentation of these statements of revenue and certain expenses for the interim periods have been included. The results for such interim periods are not necessarily indicative of the results for an entire year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION - Rental income is recognized from leases with scheduled rent increases on a straight-line basis over the lease term. The excess of straight-line rent over amounts currently due amounted to \$262,662 for the year ended December 31, 1996, and \$57,015 and \$65,665 for the three-month periods ended March 31, 1997 and 1996, respectively, and are included in minimum rent on the accompanying statements of revenue and certain expenses. Percentage rents and escalation rents based upon payments for taxes, insurance, utilities and maintenance by tenants are estimated and accrued.

3. RELATED-PARTY TRANSACTIONS

Kmart Corporation, the parent company of Big Beaver of Rio Piedras Development Corporation, and Builders Square, Inc., a wholly owned subsidiary of Kmart Corporation, lease space at the Property. The related rental income and reimbursements included in the statements of revenue and certain expenses for the year ended December 31, 1996 totaled \$2,938,593.

4. RENTAL UNDER OPERATING LEASES

The Property's operations consist of leasing retail space in an enclosed regional shopping center. The leases are operating leases expiring in various years through 2019. The leases generally provide for a fixed minimum annual rent, percentage rents based on sales volume and reimbursements for certain real estate taxes and operating costs. Two of the tenants at the shopping center lease a total of 48% of the gross leasable area, and accounted for approximately 30% of the total rental income and reimbursements for the year ended December 31, 1996. Future minimum fixed rents, including related-party leases, in place at December 31, 1996 are as follows:

YEAR ENDING	AMOUNT
DECEMBER 31	
1997	\$ 7,854,290
1998	7,889,511
1999	7,937,324
2000	8,031,788
2001	8,149,108
Thereafter	76,964,680
	-----
Total	\$ 116,826,701
	=====

\* \* \* \* \*

To the Stockholders of Vornado Realty Trust

We have audited the statement of revenues and certain expenses of the Riese Properties, as described in Note 1 for the year ended April 30, 1997. This financial statement is the responsibility of Vornado Realty Trust's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Current Report on Form 8-K of Vornado Realty Trust as described in Note 1, and is not intended to be a complete presentation of Riese Properties' revenue and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the statement of revenues and certain expenses of The Riese Properties as described in Note 1 for the year ended April 30, 1997 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey  
October 7, 1997

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THE RIESE PROPERTIES  
STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
(in thousands)

	For the Six Months Ended		For the
	April 30, 1997	April 30, 1996	Year
	(unaudited)	(unaudited)	Ended
	-----	-----	-----
	April 30, 1997	April 30, 1996	April 30, 1997
	(unaudited)	(unaudited)	-----
REVENUES:			
Base rent	\$1,208	\$1,232	\$2,493
Tenant recoveries	65	70	159
Other income	34	30	41
	-----	-----	-----
Total Revenues	1,307	1,332	2,693
	-----	-----	-----
CERTAIN EXPENSES:			
Real estate taxes	402	439	798
Repairs & maintenance	47	46	107
Professional fees	244	163	431
Utilities	56	58	121
Insurance	35	58	67
Management fee	128	129	263
Administrative	89	90	154
	-----	-----	-----
Total Certain Expenses	1,001	983	1,941
	-----	-----	-----
REVENUES IN EXCESS OF			
CERTAIN EXPENSES	\$ 306	\$ 349	\$ 752
	=====	=====	=====

See notes to Statements of Revenues and Certain Expenses.

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Note 1 - ORGANIZATION AND BASIS OF PRESENTATION

On June 27, 1997, Vornado acquired for approximately \$26,000,000 four properties previously owned by affiliates of the Riese Organization ("The Riese Properties"). These properties are located in Manhattan, New York. Vornado also made a \$41,000,000 mortgage loan to Riese Affiliates cross collateralized by ten other Manhattan properties. This increasing rate loan bears an initial interest rate of 9.75% and has a five year term.

The statements of revenues and certain expenses reflect the operations of the Riese Properties. The accounting records of the Riese Properties are maintained in accordance with generally accepted accounting principles. The accompanying financial statements exclude certain expenses such as interest, depreciation and amortization, certain professional fees, and other costs not directly related to the future operations of the Riese Properties.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. The ultimate results could differ from those estimates.

The statements of revenues and certain expenses for the six month periods ended April 30, 1997 and 1996 are unaudited; however, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for the fair presentation of these statements of revenue and certain expenses for the interim periods have been included. The results for such interim periods are not necessarily indicative of the results for an entire year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Rental income is recognized from leases with scheduled rent increases on a straight-line basis over the lease term. Escalation rents based upon payments for taxes, insurance, utilities and maintenance by tenants are estimated and accrued. Total revenues do not include rent for space occupied by Riese.

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Note 3 - OPERATING LEASES

The Riese Properties are leased to various tenants with lease terms expiring in various years through 2008. The following is a schedule, by years, of the approximate minimum future rentals required under these operating leases as of April 30, 1997:

Year Ending April 31,	Amount
1998	\$ 4,034,000
1999	3,962,000
2000	3,754,000
2001	3,498,000
2002	3,287,000
Thereafter	15,486,000
	-----
Total	\$34,021,000
	=====

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Pro Forma Financial Information:

The unaudited condensed consolidated pro forma financial information attached presents (i) the condensed consolidated pro forma statements of income for Vornado Realty Trust for the year ended December 31, 1996 and the six months ended June 30, 1997, as if the previously reported acquisitions (Mendik Company, 90 Park Avenue and Arbor Property Trust) and the acquisition of Americold and URS (collectively "Cold Storage"), Montehiedra, Riese, Charles E. Smith Commercial Realty L.P. and the Hotel Pennsylvania (collectively presented as "Unrelated Acquisitions") had occurred on January 1, 1996 and (ii) the condensed consolidated pro forma balance sheet of Vornado Realty Trust as of June 30, 1997, as if the above acquisitions had occurred on June 30, 1997 or the date of acquisition, if earlier.

The unaudited condensed consolidated pro forma financial information is not necessarily indicative of what Vornado Realty Trust's actual results of operations or financial position would have been had these transactions been consummated on the dates indicated, nor does it purport to represent Vornado Realty Trust's results of operations or financial position for any future period. The results of operations for the period ended June 30, 1997 are not necessarily indicative of the operating results for the full year.

The unaudited condensed consolidated pro forma financial information should be read in conjunction with the Consolidated Financial Statements and notes thereto included in Vornado's Annual Report on Form 10-K for the year ended December 31, 1996, as amended, and the Quarterly Report on Form 10-Q for the period ended June 30, 1997 and the financial statements of Americold, URS, Montehiedra and Riese included or incorporated by reference herein or incorporated by reference. In management's opinion, all adjustments necessary to reflect these transactions have been made. All share and per share amounts have been restated to reflect the 100% stock dividend announced on October 7, 1997.

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CONDENSED CONSOLIDATED PRO FORMA BALANCE SHEET  
JUNE 30, 1997  
(AMOUNTS IN THOUSANDS)

	HISTORICAL			PREVIOUSLY REPORTED COMPANY PRO FORMA
	VORNADO	PREVIOUSLY REPORTED ACQUISITIONS	PRO FORMA ADJUSTMENTS	
<b>ASSETS:</b>				
Real estate, net	\$ 888,027	\$ 141,898	\$ 185,000 (A) 102,100 (B) (16,275) (B)	\$ 1,300,750
Cash and cash equivalents	260,485			260,485
Investment in and advances to Preferred Stock Affiliates				
Investment in and advances to Alexander's, Inc.	108,100			108,100
Investment in partnerships	38,275			38,275
Investment in and advances to management companies	13,008			13,008
Officer's deferred compensation expense	10,419			10,419
Mortgage loans receivable	243,001		(185,000) (A)	58,001
Receivable arising from straight- lining of rents	19,619			19,619
Other assets	65,362	13,180	(2,861) (C)	75,681
	\$ 1,646,296	\$ 155,078	\$ 82,964	\$ 1,884,338
<b>LIABILITIES:</b>				
Notes and mortgages payable	\$ 862,883	\$ 124,873		\$ 987,756
Deferred leasing fee income	10,550			10,550
Officer's deferred compensation payable	25,000			25,000
Other liabilities	30,429	13,930		44,359
	928,862	138,803		1,067,665
Minority interest of unitholders in the Operating Partnership	178,093	-		178,093
<b>EQUITY</b>	539,341	16,275	\$ 102,100 (B) (16,275) (B) (2,861) (C)	638,580
	\$ 1,646,296	\$ 155,078	\$ 82,964	\$ 1,884,338

PRO FORMA  
COLD

PRO FORMA  
UNRELATED

COMPANY

	STORAGE	ACQUISITIONS	PRO FORMA
<b>ASSETS:</b>			
Real estate, net			\$ 1,300,750
Cash and cash equivalents	\$ (204,000) (BB)		56,485
Investment in and advances to Cold Storage	204,000 (BB)		204,000
Investment in and advances to Alexander's, Inc.			108,100
Investment in partnerships		77,000 (SS)	115,275
Investment in and advances to management companies			13,008
Officer's deferred compensation expense			10,419
Mortgage loans receivable			58,001
Receivable arising from straight-lining of rents			19,619
Other assets			75,681
	\$ -	\$ 77,000	\$ 1,961,338
<b>LIABILITIES:</b>			
Notes and mortgages payable		\$ 77,000 (SS)	\$ 1,064,756
Deferred leasing fee income			10,550
Officer's deferred compensation payable			25,000
Other liabilities			44,359
		77,000	1,144,665
Minority interest of unitholders in the Operating Partnership			178,093
			638,580
<b>EQUITY</b>	\$ -	\$ 77,000	\$ 1,961,338

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CONDENSED CONSOLIDATED PRO FORMA INCOME STATEMENT  
FOR THE SIX MONTHS ENDED JUNE 30, 1997  
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL		PRO FORMA	PREVIOUSLY REPORTED COMPANY PRO FORMA
	VORNADO	PREVIOUSLY REPORTED ACQUISITIONS (1)	ADJUSTMENTS	
<b>REVENUES:</b>				
Property rentals	\$ 63,471	\$ 58,493	\$ 1,775 (D)	\$ 123,739
Expense reimbursements	15,161	13,502		28,663
Other income	1,327	3,451	(2,622) (E)	2,156
	79,959	75,446	(847)	154,558
<b>EXPENSES:</b>				
Operating	26,658	27,530		54,188
Depreciation and amortization	8,429	6,828	368 (F)	16,608
			983 (G)	
General and administrative	4,748	3,453	(1,607) (E)	5,825
			(769) (H)	
Amortization of officer's deferred compensation expense	12,498			12,498
	52,333	37,811	(1,025)	89,119
Operating income (loss)	27,626	37,635	178	65,439
(Loss) income applicable to Cold Storage				-
Income applicable to Alexander's	2,842			2,842
Equity in net income of management companies	520		964 (E)	1,484

Equity in net income of investees	282	362	276 (I)	920
Interest income on mortgage notes receivable	4,305		(3,045) (J)	1,260
Interest and dividend income	6,774	899		7,673
Interest and debt expense	(17,350)	(13,111)	4,537 (K) (4,410) (L) 589 (M)	(29,745)
Net gain on marketable securities	579			579
Minority interest of unitholders in the Operating Partnership	(2,100)		(3,084) (N)	(5,184)
Net income (loss)	23,478	25,785	(3,995)	45,268
Preferred stock dividends	(4,855)		(5,137) (O)	(9,992)
Net income (loss) applicable to common shares	\$ 18,623	\$ 25,785	\$ (9,132)	\$ 35,276
Net income per common share, based on 53,437,682 and 56,434,764 shares, respectively	\$ 0.35			

OTHER DATA:

Funds from Operations (2):

Net income (loss) applicable to common shares	\$ 18,623	\$ 25,785	\$ (9,132)	\$ 35,276
Depreciation and amortization of real property	7,857	4,727	1,351	13,935
Straight-lining of property rent escalations	(1,487)	1,169	(1,775)	(2,093)
Leasing fees received in excess of income recognized	1,303			1,303
Proportionate share of adjustments to income from equity investments to arrive at FFO	887	832		1,719
Non-recurring lease cancellation income and write-off of related costs		(11,581)		(11,581)
	\$ 27,183	\$ 20,932	\$ (9,556)	\$ 38,559

CASH FLOW PROVIDED BY (USED) IN:

Operating activities	\$ 50,989	\$ 15,377	\$ (2,701)	\$ 63,665
Investing activities	\$ (629,813)	\$ (5,754)	\$ (328,638)	\$ (964,205)
Financing activities	\$ 688,954	\$ (7,126)	\$ 290,287	\$ 972,115

	PRO FORMA COLD STORAGE	HISTORICAL UNRELATED ACQUISITIONS (1)	PRO FORMA ADJUSTMENTS	COMPANY PRO FORMA
REVENUES:				
Property rentals		\$ 3,267	\$ 1,093 (LL)	\$ 128,099
Expense reimbursements		535		29,198
Other income		91		2,247
		3,893	1,093	159,544
EXPENSES:				
Operating		1,586		55,774
Depreciation and amortization			3,697 (II)	20,305
General and administrative				5,825
Amortization of officer's deferred compensation expense				12,498
		1,586	3,697	94,402
Operating income (loss)		2,307	(2,604)	65,142
(Loss) income applicable to Cold Storage	\$ (3,970) (CC)		6,942 (DD)	2,972
Income applicable to Alexander's				2,842
Equity in net income of management companies				1,484
Equity in net income of investees			1,899 (MM)	2,819
Interest income on mortgage notes receivable			1,999 (JJ)	3,259
Interest and dividend income				7,673

Interest and debt expense			(7,650) (EE)	(41,392)
			(3,997) (KK)	
Net gain on marketable securities				579
Minority interest of unitholders in the Operating Partnership				(5,184)
Net income (loss)	(3,970)	2,307	(3,411)	40,194
Preferred stock dividends				(9,992)
Net income (loss) applicable to common shares	\$ (3,970)	\$ 2,307	\$ (3,411)	\$ 30,202
Net income per common share, based on 53,437,682 and 56,434,764 shares, respectively				\$ .54
OTHER DATA:				
Funds from Operations (2):				
Net income (loss) applicable to common shares	\$ (3,970)	\$ 2,307	\$ (3,411)	\$ 30,202
Depreciation and amortization of real property			3,697	17,632
Straight-lining of property rent escalations		(57)		(2,150)
Leasing fees received in excess of income recognized				1,303
Proportionate share of adjustments to income from equity investments to arrive at FFO	15,573			17,292
Non-recurring lease cancellation income and write-off of related costs				(11,581)
	\$ 11,603	\$ 2,250	\$ 286	\$ 52,698
CASH FLOW PROVIDED BY (USED) IN:				
Operating activities	\$ 11,190	\$ 2,250	\$ 286	\$ 76,414
Investing activities	\$ (12,450)	\$ -	\$ -	\$ (976,655)
Financing activities	\$ 6,332	\$ -	\$ -	\$ 978,447

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- (1) Certain revenue and expense items have been reclassified to conform to Vornado's presentation.
- (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 which is disclosed in the Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of funds from operations. Funds from operations should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers funds from operations a supplemental measure of Operating performance and along with cash flow from operating activities, financing activities, and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. Funds from operations may not be comparable to similarly titled measures employed by other REITs since a number of REITs, including the Company's, method of calculating funds from operations is different from that used by NAREIT. Funds from operations, as defined by NAREIT, represents net income applicable to common shares before depreciation and amortization, extraordinary items and gains or losses on sales of real estate. Funds from operations as disclosed above has been modified to adjust for the effect of straight-lining of property rentals for rent escalations and leasing fee income.

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CONDENSED CONSOLIDATED PRO FORMA INCOME STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 1996  
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

HISTORICAL

PREVIOUSLY

	VORNADO	PREVIOUSLY REPORTED ACQUISITIONS (1)	PRO FORMA ADJUSTMENTS	REPORTED COMPANY PRO FORMA	PRO FORMA COLD STORAGE	HISTORICAL UNRELATED ACQUISITIONS (1)
<b>REVENUES:</b>						
Property rentals	\$ 87,424	\$134,756	\$ 7,071 (P) (44) (Q)	\$ 229,207		\$10,579
Expense reimbursements	26,644	35,388		62,032		2,263
Other income	2,819	5,977	(5,378) (Q)	3,418		147
	116,887	176,121	1,649	294,657		12,989
<b>EXPENSES:</b>						
Operating	36,412	78,049	(39) (Q) 116 (R)	114,538		4,474
Depreciation and amortization	11,589	18,515	(144) (Q) 9,981 (S) 1,875 (T)	41,816		
General and administrative	5,167	8,956	(3,788) (Q) (2,173) (U)	8,162		
Amortization of officer's deferred compensation expense	2,083			2,083		
	55,251	105,520	5,828	166,599		4,474
Operating income (loss)	61,636	70,601	(4,179)	128,058		8,515
(Loss) income applicable to Cold Storage					\$ (8,346) (FF)	
Income applicable to Alexander's Equity in net income of management companies	7,956		1,471 (Q)	7,956		
Equity in net income of investees	1,855	1,663	1,755 (V)	3,326		
Interest income on mortgage notes receivable	2,579			2,579		
Interest and dividend income	3,151	2,536	(20) (Q)	5,667		
Interest and debt expense	(16,726)	(34,692)	9,016 (W) (12,775) (X) 1,237 (Y)	(53,940)		
Net gain on marketable securities	913			913		
Minority interest of unitholders in the Operating Partnership			(10,372) (Z)	(10,372)		
Net income (loss)	61,364	40,108	(13,867)	87,605	(8,346)	8,515
Preferred stock dividends			(19,800) (AA)	(19,800)		
Net income (loss) applicable to common shares	\$ 61,364	\$ 40,108	\$ (33,667)	\$ 67,805	\$ (8,346)	\$ 8,515
Net income per common share, based on 49,206,884 and 52,203,966 shares, respectively	\$ 1.25					
<b>OTHER DATA:</b>						
Funds from Operations (2):						
Net income (loss) applicable to common shares	\$ 61,364	\$ 40,108	\$ (33,667)	\$67,805	\$ (8,346)	\$ 8,515
Depreciation and amortization of real property	10,583	18,515	11,712	40,810		
Straight-lining of property rent escalations	(2,676)	(2,413)	(7,071)	(12,160)		(263)
Leasing fees received in excess of income recognized	1,805			1,805		
Proportionate share of adjustments to income from equity investments to arrive at FFO	(1,760)	2,747	(970)	17	30,239	
	\$ 69,316	\$ 58,957	\$ (29,996)	\$ 98,277	\$ 21,893	\$ 8,252
<b>CASH FLOW PROVIDED BY (USED) IN:</b>						
Operating activities	\$ 70,703	\$ 58,016	\$ 42	\$ 128,761	\$ 22,614	\$ 996
Investing activities	\$ 14,912	\$ (8,690)	\$ (513,638)	\$ (507,416)	\$ (26,510)	\$ (240)
Financing activities	\$ (15,046)	\$ (21,075)	\$ 455,209	\$ 419,088	\$ 2,956	\$ 1,044

PRO FORMA ADJUSTMENTS	COMPANY PRO FORMA
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<b>REVENUES:</b>		
Property rentals	\$ 2,186 (QQ)	\$ 241,972

Expense reimbursements		64,295
Other income		3,565
	-----	-----
	2,186	309,832
	-----	-----
EXPENSES:		
Operating		119,012
Depreciation and amortization	8,126 (NN)	49,942
General and administrative		8,162
Amortization of officer's deferred compensation expense		2,083
	-----	-----
	8,126	179,199
	-----	-----
Operating income (loss)	(5,940)	130,633
(Loss) income applicable to Cold Storage	13,885 (GG)	5,539
Income applicable to Alexander's Equity in net income of management companies		7,956
Equity in net income of investees	2,191 (RR)	3,326
Interest income on mortgage notes receivable	3,998 (OO)	5,609
Interest and dividend income		6,577
Interest and debt expense	(15,300) (HH)	5,667
	(10,072) (PP)	(79,312)
Net gain on marketable securities		913
Minority interest of unitholders in the Operating Partnership		(10,372)
	-----	-----
Net income (loss)	(11,238)	76,536
Preferred stock dividends		(19,800)
	-----	-----
Net income (loss) applicable to common shares	\$ (11,238)	\$ 56,736
	=====	=====
Net income per common share, based on 49,206,884 and 52,203,966 shares, respectively		\$ 1.09
		=====
OTHER DATA:		
Funds from Operations (2):		
Net income (loss) applicable to common shares	\$ (11,238)	\$56,736
Depreciation and amortization of real property	8,126	48,936
Straight-lining of property rent escalations		(12,423)
Leasing fees received in excess of income recognized		1,805
Proportionate share of adjustments to income from equity investments to arrive at FFO		30,256
	-----	-----
	\$ (3,112)	\$ 125,310
	=====	=====
CASH FLOW PROVIDED BY (USED) IN:		
Operating activities	\$ (3,112)	\$ 147,305
Investing activities	\$(130,000)	\$(664,166)
Financing activities	\$ 130,000	\$ 553,088

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- (1) Certain revenue and expense items have been reclassified to conform to Vornado's presentation.
- (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 which is disclosed in the Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of funds from operations. Funds from operations should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers funds from operations a supplemental measure of Operating performance and along with cash flow from operating activities, financing activities, and investing activities, it provides investors with an indication of

the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. Funds from operations may not be comparable to similarly titled measures employed by other REITs since a number of REITs, including the Company's, method of calculating funds from operations is different from that used by NAREIT. Funds from operations, as defined by NAREIT, represents net income applicable to common shares before depreciation and amortization, extraordinary items and gains or losses on sales of real estate. Funds from operations as disclosed above has been modified to adjust for the effect of straight-lining of property rentals for rent escalations and leasing fee income.

NOTES TO CONDENSED CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS  
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

PREVIOUSLY REPORTED ACQUISITIONS (MENDIK COMPANIES, 90 PARK AVENUE AND ARBOR REALTY TRUST):

Pro Forma June 30, 1997 Balance Sheet:

- (A) Reclassification of investment in 90 Park Avenue to real estate.
- (B) Assumed issuance of 2,997,082 common shares, with a fair value of \$102,100 (based on an average price of \$34.066 per share), in exchange for all of the common shares of Arbor.
- (C) Write-off of deferred assets of Arbor as reflected in the values allocated to the real estate and the debt in accordance with APB No. 16.

Pro Forma June 30, 1997 Income Statement:

- (D) To adjust rentals for the period from January 1, 1997 to April 14, 1997 arising from the straight-lining of property rentals for rent escalations based on the remaining terms of the applicable Mendik leases.
- (E) To reflect adjustments required to record the Company's investment in the Mendik management company for the period from January 1, 1997 to April 14, 1997 under the equity method of accounting.
- (F) Increase in depreciation for the period from January 1, 1997 to April 14, 1997 due to allocation of the Mendik purchase price.
- (G) Adjustment to depreciation based on allocation of the Arbor purchase price and the reclassification of the 90 Park Avenue investment to real estate.
- (H) Reflects the elimination of Arbor management expenses in connection with the merger.
- (I) Increase in equity in investees for the period from January 1, 1997 to April 14, 1997 due to net decrease in interest expense on refinanced Mendik debt.
- (J) Elimination of interest income earned on mortgage loan receivable from 90 Park Avenue for the period from May 7, 1997 (date of acquisition) to June 30, 1997.
- (K) Reflects decrease in interest expense and loan cost amortization for the period from January 1, 1997 to April 14, 1997 resulting from the reduction and refinancing of Mendik debt.
- (L) Reflects interest expense of \$4,410 for the six months ended June 30, 1997 (January 1, 1997 to May 6, 1997) on the 90 Park Avenue investment of \$185,000, based on an average interest rate of approximately 7.0%.
- (M) Reflects elimination of amortization of deferred financing costs of \$589 for the six months ended June 30, 1997 on existing Arbor debt.
- (N) To reflect preferential distributions for the period from January 1, 1997 to April 14, 1997 relating to the Mendik Transaction.
- (O) To reflect preferred stock dividends at a rate of 6.50% plus amortization of the underwriting discount for the period from January 1, 1997 to April 14, 1997 on the proportionate number of Series A Preferred Shares used to fund the Mendik acquisition.

Pro Forma December 31, 1996 Income Statement:

- (P) To adjust rentals arising from the straight-lining of property rentals for rent escalations based on the remaining terms of the applicable Mendik leases.

- (Q) To reflect adjustments required to record the Company's investment in the Mendik management company under the equity method of accounting.
- (R) Increase in Mendik operating expenses due to contract changes.
- (S) Increase in depreciation due to preliminary allocation of the Mendik purchase price.
- (T) Adjustment to depreciation based on allocation of the Arbor purchase price and the reclassification of the 90 Park Avenue investment to real estate.
- (U) Reflects the elimination of Arbor management expenses in connection with the merger.
- (V) Increase in equity in investees, due to net decrease in interest expense on refinanced Mendik debt.
- (W) Reflects decrease in interest expense and loan cost amortization resulting from the reduction and refinancing of the Mendik debt.
- (X) Reflects interest expense on the 90 Park Avenue investment of \$185,000, based on an average interest rate of approximately 7.0%.
- (Y) Reflects elimination of amortization of deferred financing costs on existing Arbor debt.
- (Z) To reflect preferential distributions relating to the Mendik Transaction.
- (AA) To reflect preferred stock dividends at a rate of 6.50% plus amortization of the underwriting discount on the proportionate number of Series A Preferred Shares used to fund the Mendik acquisition.

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NOTES TO CONDENSED CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS  
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

COLD STORAGE:

On September 26, 1997, Vornado entered into merger agreements pursuant to which its newly formed Preferred Stock Affiliates will acquire Americold Corporation and URS Logistics, Inc. (collectively, "Cold Storage"). The Preferred Stock Affiliates entered into an agreement with Crescent Real Estate Equities Limited Partnership ("Crescent") to make these acquisitions. While a definitive structure has not yet been determined, it is anticipated that Vornado will own directly or indirectly an approximate 60% non-voting interest in Cold Storage. Accordingly Vornado expects to account for this investment on the equity method. In connection with the acquisition of Americold, certain of Americold's existing debt may be in default upon completion of the merger. Below is summarized pro forma information of Cold Storage:

COLD STORAGE CONDENSED CONSOLIDATED PRO FORMA BALANCE SHEET  
JUNE 30, 1997  
(AMOUNTS IN THOUSANDS)

	HISTORICAL		PRO FORMA ADJUSTMENT	PRO FORMA COLD STORAGE
	AMERICOLD CORPORATION*	URS LOGISTICS, INC.		
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 16,315	\$ 3,728		\$ 20,043
Property, plant, equipment, and capitalized leases, net	375,501	255,692	\$ 492,833 (a)	1,124,026
Cost in excess of net assets acquired, net	73,496		\$ 197,133 (a) (73,496) (b)	197,133 -
Other	58,099	28,692	(11,000) (c)	75,791
	<u>\$ 523,411</u>	<u>\$ 288,112</u>	<u>\$ 605,470</u>	<u>\$1,416,993</u>
<b>LIABILITIES:</b>				
Accounts payable, accrued expenses and other	\$ 60,705	\$ 13,651		\$ 74,356
Long-term debt	469,823	164,016		633,839
Capitalized leases		18,206		18,206
Deferred income taxes and other	103,554	49,905	197,133 (a)	350,592
	<u>634,082</u>	<u>245,778</u>	<u>197,133</u>	<u>1,076,993</u>
(DEFICIT) EQUITY	(110,671)	42,334	\$ 492,833 (a)	340,000

			(73,496) (b)
			(11,000) (c)
	-----	-----	-----
	\$ 523,411	\$ 288,112	\$ 605,470
	=====	=====	=====
			\$1,416,993
			=====

VORNADO'S SHARE OF EQUITY

\$ 204,000  
=====

\* As of the last day of August 1997

- (a) To preliminarily allocate the purchase cost to property, plant and equipment, cost in excess of net assets acquired and the tax effect thereon.
- (b) To write-off cost in excess of net assets acquired in accordance with Accounting Principles Board Opinion No. 16 ("APB No. 16").
- (c) To write-off deferred loan costs in accordance with APB No. 16.

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NOTES TO CONDENSED CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS  
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

COLD STORAGE (CONTINUED):

COLD STORAGE CONDENSED CONSOLIDATED PRO FORMA INCOME STATEMENT  
FOR THE SIX MONTHS ENDED JUNE 30, 1997  
(AMOUNTS IN THOUSANDS)

	HISTORICAL			PRO FORMA COLD STORAGE
	AMERICOLD CORPORATION*	URS LOGISTICS, INC.	PRO FORMA ADJUSTMENTS	
Revenues	\$ 145,807	\$ 76,319		\$ 222,126
Operating expenses	112,023	57,241	\$ 1,211 (d)	170,475
Gross operating margin	33,784	19,078	(1,211)	51,651
Other income (expense):				
Interest expense	(27,816)	(9,183)	9,275 (e)	(27,131)
			593 (f)	
Depreciation and amortization	(10,534)	(7,872)	(5,615) (g)	(24,021)
Management fees			(7,084) (h)	(7,084)
Other, net	785	103		888
(Loss) income before income taxes	(3,781)	2,126	(4,042)	(5,697)
Benefit (provision) for income taxes	992	(829)	(1,217) (i)	(1,054)
Net (loss) income	\$ (2,789)	\$ 1,297	\$ (5,259)	\$ (6,751)
VORNADO'S SHARE OF NET LOSS				\$ (3,970)

\* For the period ended on the last day of August 1997

COLD STORAGE CONDENSED CONSOLIDATED PRO FORMA INCOME STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 1996  
(AMOUNTS IN THOUSANDS)

	HISTORICAL			PRO FORMA COLD STORAGE
	AMERICOLD CORPORATION*	URS LOGISTICS, INC.	PRO FORMA ADJUSTMENTS	
Revenues	\$ 310,767	\$ 144,229		\$ 454,996
Operating expenses	242,213	107,190	\$ 2,422 (d)	351,825
Gross operating margin	68,554	37,039	(2,422)	103,171
Other income (expense):				
Interest expense	(57,863)	(18,037)	18,549 (e)	(56,166)
			1,185 (f)	
Depreciation and amortization	(20,697)	(14,574)	(11,229) (g)	(46,500)

Management fees			(14,169) (h)	(14,169)
Other, net	862	263		1,125
	-----	-----	-----	-----
(Loss) income before income taxes	(9,144)	4,691	(8,086)	(12,539)
Benefit (provision) for income taxes	2,604	(1,827)	(2,433) (i)	(1,656)
	-----	-----	-----	-----
Net (loss) income	\$ (6,540)	\$ 2,864	\$ (10,519)	\$ (14,195)
	=====	=====	=====	=====
VORNADO'S SHARE OF NET LOSS				\$ (8,346)
				=====

\* For the period ended on the last day of February 1997

- (d) To adjust amortization of cost in excess of net assets acquired in accordance with APB No. 16.
- (e) To adjust decrease in interest expense from the refinancing of \$600,000 of existing debt at a rate of 8.5%.
- (f) To eliminate amortization of deferred loan costs in accordance with APB No. 16.
- (g) To adjust depreciation expense based on the preliminary allocation of the purchase cost.
- (h) To reflect non-taxable management fees due to Vornado's based on 1% of the combined Cold Storage assets.
- (i) To reflect income taxes on pro forma adjustments at 40%.

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NOTES TO CONDENSED CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS  
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

COLD STORAGE (CONTINUED):

The acquisition will be recorded under "purchase accounting" applying the provisions of APB No. 16. The estimated purchase price at the date of acquisition is comprised of:

	Total	Vornado's 60% Share
	-----	-----
Cash	\$ 289,000	\$ 173,400
Estimated fees and expenses	51,000	30,600
	-----	-----
Debt	340,000	204,000
	660,000	396,000
	-----	-----
	\$1,000,000	\$ 600,000
	=====	=====

The respective purchase costs were allocated to acquired assets and assumed liabilities using their relative fair values as of the closing dates, based on valuations and other studies which are not yet complete. Accordingly, the excess of the purchase cost over the net assets acquired has not yet been allocated to individual assets and liabilities. However, Vornado believes that the excess purchase price will be allocated principally to property, plant and equipment.

FOOTNOTES:

Pro Forma June 30, 1997 Balance Sheet:

(BB) To reflect loan receivable in connection with Cold Storage acquisition.

Pro Forma June 30, 1997 Income Statement:

(CC) To reflect Vornado's share of net loss per the Cold Storage Condensed Consolidated Pro Forma Income Statement for the Six Months Ended June 30, 1997.

(DD) To reflect Vornado's share of the management fee income received from Cold Storage.

(EE) To reflect interest expense at 7.5% on the loans by Vornado in connection with the Cold Storage acquisition.

Pro Forma December 31, 1996 Income Statement:

(FF) To reflect Vornado's share of net loss per the Cold Storage Condensed Consolidated Pro Forma Income Statement for the Year Ended December 31, 1996.

(GG) To reflect Vornado's share of the management fee income received from Cold Storage.

(HH) To reflect interest expense at 7.5% on the loans by Vornado in connection with the Cold Storage acquisition.

#### UNRELATED ACQUISITIONS:

On April 18, 1997, Vornado acquired the Montehiedra Town Center in San Juan, Puerto Rico from Kmart for \$74 million of which \$63 million is newly issued 10 year financing. The Montehiedra shopping center, which opened in 1994, contains 525,000 square feet, including a 135,000 square foot Kmart.

On June 30, 1997, Vornado acquired for approximately \$26 million four properties previously owned by affiliates of the Riese Organization. These properties are located in midtown Manhattan. Vornado also made a \$41 million mortgage loan to Riese Affiliates cross collateralized by ten other Manhattan properties. This five year increasing rate loan bears an initial interest rate of 9.75%.

On September 22, 1997 Vornado entered into an agreement to acquire a 15% limited partnership interest in Charles E. Smith Commercial Realty Limited Partnership for \$60 million. Charles E. Smith Commercial Realty Limited Partnership is being formed to own interests in and manage approximately 7.2 million square feet of office properties in Crystal City, Alexandria, Virginia, a suburb of Washington D.C., and to manage an additional 14 million square feet of office and other commercial properties in the Washington D.C. area. The Crystal City properties in which Charles E. Smith Commercial Realty Limited Partnership will own an interest are now owned by various Charles E. Smith affiliates.

On September 25, 1997 Vornado acquired a 40% interest in Hotel Pennsylvania, which is located on Seventh Avenue in New York City, opposite Madison Square Garden. The property was acquired in a joint venture with Hotel Properties Limited and Planet Hollywood International, Inc. The venture intends to create a sports-themed hotel and entertainment complex. Under the joint venture agreement, Hotel Properties Limited and Planet Hollywood International, Inc. will have 40% and 20% interests, respectively. The joint venture acquired the hotel for approximately \$159 million, of which \$120 million is newly-issued 5 year financing. The Hotel Pennsylvania contains approximately 800,000 square feet of hotel space with 1,700 rooms and 400,000 square feet of retail and office space. Vornado will manage the site's retail and office space, and Hotel Properties will manage the hotel.

#### FOOTNOTES:

##### Pro Forma June 30, 1997 Income Statement:

(II) Adjustment to depreciation expense for the period from January 1, 1997 to date of acquisitions based on the allocation of the purchase price.

(JJ) Adjustment to interest income for the period from January 1, 1997 to the date of the Riese acquisition on mortgage note receivable \$41,000 at a rate of 9.75%.

(KK) Adjustment to interest expense for the period from January 1, 1997 to date of acquisitions based on the amount of the investments.

(LL) To reflect rent from new leases entered into with the Riese organization.

(MM) To reflect equity in income from investment in Charles E. Smith Commercial Realty Limited Partnership and the Hotel Pennsylvania.

##### Pro Forma December 31, 1996 Income Statement:

(NN) Adjustment to depreciation based on the allocation of the purchase price.

(OO) Adjustment to interest income on the mortgage note receivable with the Riese organization of \$41,000 at a rate of 9.75%.

(PP) Adjustment to interest expense based on the amount of the investments.

(QQ) To reflect rent from new leases entered into with the Riese organization.

(RR) To reflect equity in income from investment in Charles E. Smith Commercial Realty Limited Partnership and the Hotel Pennsylvania.

##### Pro Forma June 30, 1997 Balance Sheet:

(SS) To reflect investments in Charles E. Smith Commercial Realty Limited Partnership (\$60,000) and Hotel Pennsylvania (\$17,000).

## VORNADO REALTY TRUST

## SIGNATURES

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

VORNADO REALTY TRUST

-----  
(Registrant)

Date: October 8, 1997

/s/ Joseph Macnow

-----  
JOSEPH MACNOW  
Vice President,  
Chief Financial Officer

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## Section 2: EX-23.1 (CONSENT OF KPMG PEAT MARWICK LLP)

1

Exhibit 23.1

### INDEPENDENT AUDITORS' CONSENT

The Board of Directors and Stockholders  
Americold Corporation:

We consent to the incorporation by reference to the Registration Statement No. 333-29013 of Vornado Realty Trust and Vornado Realty L.P. and the Post Effective Amendment to Registration Statement No. 33-62395 of Vornado Realty Trust both on Form S-3, of our report dated May 2, 1997, with respect to the consolidated balance sheets of Americold Corporation as of the last day of February 1996 and 1997, and the related consolidated statements of operations, common stockholders' deficit and cash flows for each of the years in the three-year period ended the last day of February 1997, which report appears in the Form 8-K of Vornado Realty Trust dated September 22, 1997.

KPMG PEAT MARWICK LLP

Portland, Oregon  
October 6, 1997

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## Section 3: EX-23.2 (CONSENT OF DELOITTE & TOUCHE LLP)

1

Exhibit 23.2

### INDEPENDENT AUDITORS' CONSENT

The Board of Directors and Stockholders  
Americold Corporation:

We consent to the inclusion of our report dated May 2, 1997, with respect to the consolidated balance sheets of Americold Corporation as of the last day of February 1996 and 1997, and the related consolidated statements of operations, common stockholders' deficit, and cash flows for each of the years in the three-year period ended the last day of February 1997, which report appears in the Form 8-K of Vornado Realty Trust dated September 22, 1997.

KPMG PEAT MARWICK LLP

Portland, Oregon  
October 6, 1997

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## **Section 4: EX-23.3 (CONSENT OF DELOITTE & TOUCHE LLP)**

1

Exhibit 23.3

### INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Registration Statement No. 333-29013 of Vornado Realty Trust and Vornado Realty L.P. and the Post Effective Amendment to Registration Statement No. 33-62395 of Vornado Realty Trust both on Form S-3, of our report dated March 7, 1997 (October 3, 1997 as to Note 10) on the consolidated financial statements of URS Logistics, Inc. for the year ended December 31, 1996, which report appears in the Form 8-K of Vornado Realty Trust dated September 22, 1997.

DELOITTE & TOUCHE LLP

Atlanta, Georgia  
October 3, 1997

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## **Section 5: EX-23.4 (CONSENT OF DELOITTE & TOUCHE LLP)**

1

Exhibit 23.4

### INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Registration Statement No. 333-29013 of Vornado Realty Trust and Vornado Realty L.P. and the Post Effective Amendment to Registration Statement No. 33-62395 of Vornado Realty Trust both on Form S-3, of our report dated October 3, 1997 on the statement of revenues and certain expenses of the Montehiedra Town Center for the year ended December 31, 1996, which report appears in the Form 8-K of Vornado Realty Trust dated September 22, 1997.

DELOITTE & TOUCHE LLP

Boston, Massachusetts  
October 3, 1997

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## **Section 6: EX-23.5 (CONSENT OF DELOITTE AND TOUCHE LLP)**

1

Exhibit 23.5

### INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Registration Statement No.

333-29013 of Vornado Realty Trust and Vornado Realty L.P. and the Post Effective Amendment to Registration Statement No. 33-62395 of Vornado Realty Trust both on Form S-3, of our report dated October 3, 1997 on the combined statement of revenues and certain expenses of the Riese Properties for the year ended April 30, 1997, which report appears in the Form 8-K of Vornado Realty Trust dated September 22, 1997.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey  
October 7, 1997

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## **Section 7: EX-99.1 (PRESS RELEASE DATED SEPTEMBER 22, 1997)**

1

EXHIBIT 99.1

CONTACT: JOSEPH MACNOW  
(201) 587-1000

VORNADO REALTY TRUST  
Park 80 West, Plaza II  
Saddle Brook, New Jersey 07663

FOR IMMEDIATE RELEASE - SEPTEMBER 22, 1997

SADDLE BROOK, NEW JERSEY.....VORNADO REALTY TRUST  
(NYSE:VNO) today announced that it has entered into an agreement to acquire a 15% limited partnership interest in Charles E. Smith Commercial Realty, L.P. for \$60 million. Charles E. Smith Commercial Realty, L.P. is being formed to own interests in and manage approximately 7.2 million square feet of office properties in Crystal City, Alexandria, Virginia, a suburb of Washington D.C., and to manage an additional 14 million square feet of office and other commercial properties in the Washington, D.C. area. The Crystal City properties in which Charles E. Smith Commercial Realty, L.P. will own an interest are now owned by various Charles E. Smith affiliates.

The closing which is expected to occur at the end of October, is subject to receipt of consents from various parties and other conditions.

Vornado Realty Trust is a fully-integrated equity real estate investment trust.

Certain statements contained herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks associated with the timing of and costs associated with property improvements, financing commitments and general competitive factors.

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## **Section 8: EX-99.2 (PRESS RELEASE DATED SEPTEMBER 25, 1997)**

## EXHIBIT 99.2

CONTACT: JOSEPH MACNOW  
(201) 587-1000

VORNADO REALTY TRUST  
Park 80 West, Plaza II  
Saddle Brook, New Jersey 07663

FOR IMMEDIATE RELEASE - SEPTEMBER 25, 1997

SADDLE BROOK, NEW JERSEY.....VORNADO REALTY TRUST (NYSE:VNO) today announced that it has acquired a 40% interest in New York City's Hotel Pennsylvania, which is strategically located on Seventh Avenue opposite Madison Square Garden. The property was acquired in a joint venture with Hotel Properties Limited and Planet Hollywood International, Inc. The venture intends to create a sports-themed hotel and entertainment complex.

Under the joint venture agreement, Hotel Properties Limited and Planet Hollywood International, Inc. will have 40% and 20% interests, respectively. Hotel Properties Limited, a Singapore publicly listed company co-founded by Ong Beng Seng, has interests primarily in the retail, entertainment, lodging and leisure industries.

The joint venture acquired the hotel for approximately \$159 million, of which \$120 million is newly-issued 5 year financing.

The Hotel Pennsylvania contains approximately 800,000 square feet of hotel space with 1,700 rooms and 400,000 square feet of retail and office space. Vornado will manage the site's retail and office space, and Hotel Properties will manage the hotel.

Vornado Realty Trust is a fully-integrated equity real estate investment trust.

Certain statements contained herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks associated with the timing of and costs associated with property improvements, financing commitments and general competitive factors and a change in retailer or consumer acceptance of products and services.

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## Section 9: EX-99.3 (PRESS RELEASE DATED SEPTEMBER 29, 1997)

## EXHIBIT 99.3

CONTACT: JOSEPH MACNOW  
(201) 587-1000

VORNADO REALTY TRUST  
Park 80 West, Plaza II  
Saddle Brook, New Jersey 07663

VORNADO AND CRESCENT IN PARTNERSHIP  
TO ACQUIRE TWO COLD STORAGE COMPANIES

SADDLE BROOK, NEW JERSEY....VORNADO REALTY TRUST (NYSE:VNO) today announced that it has entered into merger agreements pursuant to which its preferred stock affiliates will acquire Americold Corporation and URS Logistics, Inc. The consideration for the Americold transaction is approximately \$582 million, including \$111 million in cash and \$471 million in indebtedness. The consideration for the URS Logistics transaction is approximately \$367 million, including \$178 million in cash and \$189 million in indebtedness.

Vornado also announced that it has entered into a partnership agreement with Crescent Real Estate Equities Company to make this acquisition. Vornado will hold a 60% interest in the partnership and Crescent a 40% interest.

Kelso & Company, Inc., which has a controlling interest in both Americold and URS, has granted consents or irrevocable proxies with respect to both transactions. Each transaction is not conditioned on the closing of the other, and both are expected to close in the fourth quarter of 1997.

Americold Corporation, headquartered in Portland, Oregon, under the leadership of CEO Ron Dykehouse, is the nation's largest logistics and cold storage warehouse company. The company was the first to develop, implement and manage a fully integrated distribution logistics system serving the frozen food industry. Today, as the largest provider of third-party, temperature controlled logistics services, an increasing number of food processors are taking advantage of Americold's expertise in executing their specific, complex distribution requirements.

URS Logistics, Inc. headquartered in Atlanta, Georgia, under the leadership of CEO Dan McNamara, provides refrigerated and frozen storage and distribution to the leading food manufacturers in the nation. URS is the volume leader in frozen food consolidation and distribution services. URS is the first company in the freezer environment to implement bar-code scanning throughout their entire network, resulting in the ability to track the movement and handling of its customers products from point of manufacturer through to the retailer or food service provider.

Vornado and Crescent intend to provide growth capital to further support the long-term development of Americold and URS.

Vornado Realty Trust is a fully-integrated equity real estate investment trust.

Certain statements contained herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks associated with the timing of and costs associated with property improvements, financing commitments and general competitive factors.

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## Section 10: EX-99.4 (AGREEMENT AND PLAN OF MERGER)

1

EXHIBIT 99.4

AGREEMENT AND PLAN OF MERGER

AMONG

VORNADO REALTY TRUST

ATLANTA PARENT, INC.

ATLANTA STORAGE ACQUISITION CO.

AND

Dated as of September 26, 1997

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Exhibit 7.3(e) Form of Waiver Letter

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of September 26, 1997 (the "Agreement"), among Vornado Realty Trust, a Maryland real estate investment trust ("Vornado"), ATLANTA PARENT, INC. a Delaware corporation (the "Parent"), ATLANTA STORAGE ACQUISITION CO., a Delaware corporation and a wholly-owned subsidiary of the Parent ("Acquisition Co."), and URS LOGISTICS, INC., a Delaware corporation ("URS").

ARTICLE I

DEFINITIONS

Unless otherwise stated, the following terms when used herein have the meanings assigned to them below.

1.1 "Acquisition Co." has the meaning set forth in the preamble to this Agreement.

1.2 "Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified.

1.3 "Aggregate Exercise Proceeds" means the aggregate Exercise Price payable upon exercise of all of the Warrants with an Exercise Price of less than the Per Share Price.

1.4 "Applicable Law" means all applicable provisions of all (i) constitutions, treaties, statutes, laws (including, but not limited to, the common law), rules, regulations, ordinances, codes or orders of any Governmental Authority and (ii) orders, decisions, rulings, injunctions, judgments, awards and decrees or consents of or agreements with any Governmental Authority.

1.5 "Board" has the meaning set forth in Section 4.2(b) hereof.

1.6 "BT Credit Agreement" means the Credit Agreement, dated as of June 2, 1995, among URS, Bankers Trust Company, as agent, and the various lending institutions party thereto, as amended and restated as of June 27, 1997.

1.7 "Business Day," whether or not initially capitalized, means every day of the week excluding Saturdays, Sundays and federal holidays.

1.8 "Certificate" has the meaning set forth in Section 3.6(a) hereof.

1.9 "Certificate of Merger" has the meaning set forth in Section 2.5 hereof.

1.10 "Closing" has the meaning set forth in Section 8.1.

1.11 "Closing Date" means the date on which the Closing occurs.

1.12 "Closing Statement" has the meaning set forth in Section 3.1.

1.13 "Code" means the Internal Revenue Code of 1986, as amended, together with all regulations and rulings issued thereunder by any Governmental Authority.

1.14 "Contracts" has the meaning set forth in Section 4.14 hereof.

1.15 "Debt Payoff Amount" means the aggregate amount that would be required to repay in full as of the Effective Time all indebtedness under each of the MetLife Loan Agreement and the BT Credit Agreement, together with any interest due and unpaid thereon and 74% of the amount

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(representing the after-tax cost to URS) of any redemption, repayment or prepayment fees, surcharges, premiums or penalties associated therewith, as agreed in good faith between Vornado and URS based on letters furnished to URS by The Metropolitan Life Insurance Company and Bankers Trust Company as of or shortly before the Closing Date.

1.16 "Dissenting Shares" has the meaning set forth in Section 3.4 hereof.

1.17 "Effective Time" has the meaning set forth in Section 2.5 hereof.

1.18 "Environmental Laws" means all Applicable Laws relating to the protection of human health, safety or the environment.

1.19 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, together with the regulations and rulings issued thereunder by any Governmental Authority.

1.20 "Exercise Price" means, with respect to any Warrant, the price at which the holder of such Warrant is entitled to purchase one share of URS Common Stock upon exercise of such Warrant.

1.21 "Filings" has the meaning set forth in Section 6.3(b) hereof.

1.22 "Financial Statements" has the meaning set forth in Section 4.5 hereof.

1.23 "GAAP" means United States generally accepted accounting principles.

1.24 "GCL" means the General Corporation Law of the State of Delaware.

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1.25 "Governmental Approvals" has the meaning set forth in Section 4.7 hereof.

1.26 "Governmental Authority" means any nation or government, any state or other political subdivision thereof or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, in each case to the extent the same has jurisdiction over the Person or property in question.

1.27 "HSRA" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations adopted thereunder.

1.28 "IRS" means the Internal Revenue Service of the United States.

1.29 "Kelso" means Kelso & Company.

1.30 "Kelso Fee" means 74% of the payment (representing the after-tax cost to URS) to be made to Kelso at the Effective Time, as provided for in Section 7.2(e) hereof.

1.31 "Knowledge" means, with respect to URS or any URS Subsidiary, the actual knowledge of any of the officers set forth on Schedule 1.31 hereto.

1.32 "Leased Property" has the meaning set forth in Section 4.10 hereto.

1.33 "Liens" means all debts, liens, security interests, mortgages, pledges, judgments, trusts, adverse claims, liabilities, encumbrances, material rights of way, charges which are liens and other impairments of title of any kind other than Permitted Liens.

1.34 "Management Bonus Amount" means 74% of the payments (representing the after-tax cost to URS) to be made

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at or after the Effective Time to the individuals, and in the aggregate amount set forth on Schedule 1.34 hereto.

1.35 "Material Adverse Effect" means a material adverse effect on the business, assets, properties, liabilities or financial condition of URS and the URS Subsidiaries, taken as a whole or on the ability of URS timely to consummate the transactions contemplated hereby.

1.36 "Merger" has the meaning set forth in Section 2.1 hereof.

1.37 "Merger Consideration" means the difference of (x) the sum of \$365,000,000 plus or minus, as the case may be, the Working Capital Adjustment, as determined pursuant to Section 3.1 minus (y) the sum of (A) the Debt Payoff Amount, plus (B) the Management Bonus Amount, plus (C) the Kelso Fee.

1.38 "MetLife Loan Agreement" means the Loan Agreement, dated as of December 23, 1988, by and between Metropolitan Life Insurance Company and United Refrigerated Services, Inc., as amended by a First Amendment to Loan Agreement dated as of January 16, 1990, a Second Amendment to Loan Agreement dated as of October 25, 1990, a Third Amendment to Loan Agreement dated as of May 1, 1991, a Fourth Amendment to Loan Agreement dated as of April 5, 1993, a Fifth Amendment to Loan Agreement dated as of November 10, 1994 and a Sixth Amendment to Loan Agreement dated as of April 16, 1997.

1.39 "Outstanding URS Shares" means the shares of URS Common Stock issued and outstanding immediately prior to the Effective Time, assuming the exercise of all of the Warrants with an Exercise Price of less than the Per Share Price and the issuance of all of the shares of URS Common Stock issuable in respect thereof.

1.40 "Owned Property" has the meaning set forth in Section 4.10 hereof.

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1.41 "Parent" has the meaning set forth in the preamble to this Agreement.

1.42 "Per Share Price" means the sum of (i) the Merger Consideration plus (ii) the Aggregate Exercise Proceeds divided by the total number of Outstanding URS Shares.

1.43 "Permitted Liens" has the meaning set forth in Section 4.10 hereof.

1.44 "Person" means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including any Governmental Authority or any other government or political subdivision or an agency or instrumentality thereof.

1.45 "Plans" has the meaning set forth in Section 4.16 hereof.

1.46 "Real Property" has the meaning set forth in Section 4.10 hereof.

1.47 "Real Estate Laws" means any applicable building, zoning, subdivision and other land use and similar laws, codes, ordinances, rules, regulations and orders of Governmental Authorities.

1.48 "Returns" has the meaning set forth in Section 4.21 hereof.

1.49 "Surviving Corporation" has the meaning set forth in Section 2.1 hereof.

1.50 "Surviving Corporation Common Stock" has the meaning set forth in Section 3.5 hereof.

1.51 "Tax" has the meaning set forth in Section 4.21 hereof.

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1.52 "Transfer Taxes" means all sales (including, without limitation, bulk sales), use, value added, documentary, stamp, gross receipts, registration, transfer, conveyance, excise, recording, license and other similar Taxes and fees imposed by any Governmental Authority in connection with a merger.

1.53 "URS" has the meaning set forth in the preamble to this Agreement.

1.54 "URS Common Stock" means the common stock, par value \$.10 per share, of URS.

1.55 [Intentionally Omitted]

1.56 "URS Subsidiary" means any corporation, partnership, limited liability company, joint venture or other entity of which URS owns, directly or indirectly, at least a majority of the securities or other ownership interests having by the terms thereof ordinary voting power or otherwise has the right or power to elect a majority of the board of directors or other Persons performing similar functions of such corporation, partnership, limited liability company, joint venture or other entity.

1.57 "Vornado" has the meaning set forth in the preamble to this Agreement.

1.58 "Warrants" means the warrants to purchase URS Common Stock issued pursuant to the Warrant Agreements listed on Schedule 1.58 hereto.

1.59 "Working Capital" shall mean, as of any date of determination, the excess, determined on a basis consistent with the preparation of the August 31 balance sheet included in the Financial Statements, of (a) the sum of (i) the aggregate current assets, including cash and cash equivalents, short-term investments, prepaid expenses, current deferred tax assets and other current assets, of URS and the URS Subsidiaries on a consolidated basis as of such

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date, plus (ii) all cash expended by URS or any URS Subsidiary on or prior to such date in respect of (A) the amounts referred to in Section 7.2(e)(i) hereof, (B) the fee to Kelso referred to in Section 7.2(e)(ii) hereof or (C) any expense of a type referred to in Section 11.5 hereof (the items referred to in clause (A), (B) and (C) are collectively, the "Excluded Liabilities"), over (b) the current liabilities, including accounts payable, current income taxes payable and accrued expenses and any other current liabilities, of URS and the URS Subsidiaries on a consolidated basis as of such date, other than any such liability in respect of any Excluded Liability or any liability for any current portion of any indebtedness under the MetLife Loan Agreement or the BT Credit Agreement.

1.60 "Working Capital Adjustment" shall mean the difference (which may be a positive or a negative number) between (x) \$12,147,000 (i.e., Working Capital as of August 31, 1997) and (y) Working Capital, as determined pursuant to Section 3.1.

## ARTICLE II

### THE MERGER

2.1 The Merger. In accordance with the provisions of this Agreement and the GCL, at the Effective Time (i) Acquisition Co. shall be merged with and into URS (the "Merger"), and URS shall be the surviving corporation of the Merger (hereinafter sometimes called the "Surviving Corporation") and shall continue its corporate existence under the laws of the State of Delaware; (ii) the name, identity, existence, rights, privileges, powers, franchises, properties and assets of URS shall continue unaffected and unimpaired; and (iii) the separate existence of Acquisition Co. shall cease, and all of the rights, privileges, powers, franchises, properties and assets of Acquisition Co. shall be vested in URS. The name of the surviving corporation shall be "URS Logistics, Inc."

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2.2 Certificate of Incorporation. The Restated Certificate of Incorporation of URS in effect immediately prior to the Effective Time shall be the Certificate of Incorporation of the Surviving Corporation until thereafter amended as provided therein or by law, except that Article FOURTH thereof shall be amended and restated in its entirety as follows:

"The total number of shares of stock which the Company shall have authority to issue is 1,000 shares of Common Stock, par value \$0.001 per share."

2.3 By-Laws. The By-Laws of URS in effect immediately prior to the Effective Time shall be the By-Laws of the Surviving Corporation until thereafter amended, altered or repealed as provided therein.

2.4 Directors and Officers. The directors of Acquisition Co. immediately prior to the Effective Time shall be the directors of the Surviving Corporation, each to hold office in accordance with the Certificate of Incorporation and By-Laws of the Surviving Corporation until his or her successor is appointed and qualified or until his or her earlier death, resignation or removal. The individuals set forth on Schedule 2.4 shall be the officers of the Surviving Corporation, each to hold office in accordance with the Certificate of Incorporation and By-Laws of the Surviving Corporation until his or her successor is appointed and qualified or until his or her earlier death, resignation or removal.

2.5 Effective Time. The Merger shall become effective simultaneously

with the filing of a Certificate of Merger with the Secretary of State of the State of Delaware in accordance with Sections 251 and 103 of the GCL (the "Certificate of Merger"). The Certificate of Merger shall be filed simultaneously with the Closing. The date and time when the Merger shall become effective is hereinafter referred to as the "Effective Time".

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ARTICLE III

DETERMINATION OF WORKING CAPITAL;  
CONVERSION OF SHARES

3.1 Working Capital Adjustment. (a) If Working Capital as of immediately prior to the Effective Time is less than \$12,147,000 (i.e., Working Capital as of August 31, 1997), the Merger Consideration shall be reduced by the amount by which Working Capital as of immediately prior to the Effective Time is less than such amount (the "Working Capital Reduction"). If Working Capital as of the Effective Time is greater than \$12,147,000, the Merger Consideration shall be increased by the amount by which Working Capital as of the Effective Time is greater than such amount (the "Working Capital Addition"). The dollar value of the Working Capital Reduction or Working Capital Addition, as the case may be, is referred to as the "Working Capital Adjustment".

(b) Not later than 10 days nor earlier than 30 days prior to the Closing, URS shall prepare in good faith, on a basis consistent with the August 31, 1997 balance sheet included in the Financial Statements, and shall deliver to Vornado, an estimate (the "Working Capital Estimate") of the Working Capital Adjustment as of immediately prior to the then anticipated Effective Time, a statement as to whether the Working Capital Adjustment is estimated to be a Working Capital Reduction or a Working Capital Addition, and such other supporting information and documentation as Vornado may reasonably request with respect thereto. On the Closing Date, the Parent shall deposit into an escrow account (the "Escrow Account") maintained by Citibank, N.A., as escrow agent pursuant to an escrow agreement containing such terms as the parties shall negotiate in good faith (the "Escrow Agreement"), an amount of cash (such cash, the "Escrowed Funds") equivalent to (i) two, multiplied by (ii) the dollar value of the Working Capital Estimate (without regard to

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whether the Working Capital Estimate reflects a Working Capital Reduction or Working Capital Addition); provided that the Escrowed Funds shall not be less than \$3.5 million.

(c) As soon as practicable following the Effective Time, but in no event later than 15 days following the Effective Time, Vornado shall prepare in good faith, on a basis consistent with URS' August 31, 1997 balance sheet, and deliver to Kelso, as representative of the former holders of URS Common Stock, a calculation (the "Working Capital Calculation") of the Working Capital Adjustment as of the Effective Time, together with such supporting information and documentation as Kelso may reasonably request with respect thereto.

(d) During the 15-day period following Kelso's receipt of the Working Capital Calculation, the Surviving Corporation shall provide Kelso reasonable access, during normal business hours, and upon reasonable notice, to URS' accounting and financial records and Vornado's working papers relating to the Working Capital Adjustment; provided that such access does not unreasonably disrupt the normal operations of URS. The Working Capital Calculation shall become final and binding upon the parties, and the Working Capital Adjustment shall be conclusively determined for purposes of this Agreement at the conclusion of such 15-day period, or earlier if Kelso accepts in writing the Working Capital Calculation, unless Kelso gives written notice of its disagreement with the Working Capital Calculation (a "Notice of Disagreement") to Vornado prior to the end of such period. Any notice of Disagreement shall (i) specify in reasonable detail the nature of any disagreement so asserted and (ii) include only disagreements based on (x) mathematical errors or (y) the Working Capital Calculation not being calculated in accordance with this Agreement. If a Notice of Disagreement is received by Vornado in a timely manner, then the Working Capital Calculation shall become final and binding upon the parties and the holders of URS Common Stock, and the Working Capital Adjustment shall be conclusively determined for purposes of

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this Agreement, on the earlier of (i) the date Vornado and Kelso resolve in writing any differences they have with respect to the matters specified in the Notice of Disagreement, or (ii) the date any disputed matters are finally resolved in writing by the Arbitrating Auditor (as defined below).

(e) During the 15-day period following the delivery of a Notice of Disagreement, Vornado and Kelso shall seek in good faith to resolve in writing any differences which they may have with respect to the matters specified in the Notice of Disagreement and URS shall provide Kelso with reasonable access, during normal business hours, and upon reasonable notice, to URS' accounting and

financial records and Vornado's working papers relating to the Working Capital Calculation; provided that such access does not unreasonably disrupt the normal operations of URS. At the end of such 15-day period, Vornado and Kelso shall submit to the final and unappealable decision of such New York City office of a "Big Six" auditing firm that is independent with respect to Kelso, URS and Vornado as shall be selected by mutual agreement of Vornado and Kelso (such independent auditor, the "Arbitrating Auditor") for review and resolution of any and all matters which remain in dispute and which were properly included in the Notice of Disagreement. Vornado and Kelso agree to use reasonable efforts to cause the Arbitrating Auditor to render a decision resolving the matters submitted to it within 15 days following submission of the matter thereto.

3.2 URS Common Stock. (a) At the Effective Time, by virtue of the Merger and without any action on the part of the holder thereof, each share of URS Common Stock (except for (i) any shares of URS Common Stock then owned beneficially or of record by the Parent or Acquisition Co. or any other subsidiary of the Parent, (ii) shares of URS Common Stock then held in the treasury of URS or by any URS Subsidiary, and (iii) Dissenting Shares) issued and outstanding immediately prior to the Effective Time shall be converted into the right to receive cash from the Parent in

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an amount equal to the Per Share Price, as determined pursuant to Section 1.42.

(b) Each share of URS Common Stock which is then owned beneficially or of record by the Parent or Acquisition Co. or any other direct or indirect subsidiary of the Parent shall, by virtue of the Merger and without any action on the part of the holder thereof, be canceled and retired and cease to exist, without any conversion thereof.

(c) Each share of URS Common Stock held in URS's treasury or by any URS Subsidiary immediately prior to the Effective Time shall, by virtue of the Merger, be canceled and retired and cease to exist, without any conversion thereof.

(d) The holders of shares of URS Common Stock shall, as of the Effective Time, cease to have any rights as stockholders of URS, except such rights, if any, as they may have pursuant to Section 262 of the GCL, or alternatively, the right to receive their pro rata share of the Merger Consideration, as determined and paid in the manner set forth in this Agreement.

3.3 Warrants. At the Effective Time, by virtue of the Merger and without any action on the part of the holder thereof, each Warrant with an Exercise Price that is less than the Per Share Price issued and outstanding immediately prior to the Effective Time shall be converted into the right to receive cash from the Parent in an amount equal to the product of (i) the number of shares of URS Common Stock into which such Warrant is exercisable times (ii) the excess of the Per Share Price, as determined pursuant to Section 3.1, over the Exercise Price for such Warrant. URS shall cause each Warrant having an Exercise Price equal to or in excess of the Per Share Price to be cancelled. In this regard, URS will take all actions required under the Warrant Plan governing the Warrants.

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3.4 Dissenting Shares. Notwithstanding anything in this Agreement to the contrary, shares of URS Common Stock which are held by stockholders who shall have effectively dissented from the Merger and perfected their appraisal rights in accordance with the provisions of Section 262 of the GCL (the "Dissenting Shares"), shall not be converted into or be exchangeable for the right to receive any Merger Consideration, but the holders thereof shall be entitled to payment from the Surviving Corporation of the appraised value of such shares in accordance with the provisions of Section 262 of the GCL; provided, however, that if any such holder shall have failed to perfect such appraisal rights or shall have effectively withdrawn or lost such rights, his or her shares of URS Common Stock shall thereupon be converted into and exchangeable for, at the Effective Time, their pro rata share of the Merger Consideration, as determined and paid in the manner set forth in this Agreement.

3.5 Acquisition Co. Common Stock. Each share of common stock, par value \$.01 per share, of Acquisition Co. (the "Acquisition Co. Common Stock"), issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and exchangeable for one fully paid and non-assessable share of common stock, par value \$.10 per share, of the Surviving Corporation ("Surviving Corporation Common Stock"). From and after the Effective Time, each outstanding certificate theretofore representing shares of Acquisition Co. Common Stock shall be deemed for all purposes to evidence ownership of and to represent the number of shares of Surviving Corporation Common Stock into which such shares of Acquisition Co. Common Stock shall have been converted. Promptly after the Effective Time, the Surviving Corporation shall issue to the Parent a stock certificate or certificates representing 1,000 shares of Surviving Corporation Common Stock in exchange for the certificate or certificates which formerly represented shares of Acquisition Co. Common Stock, which shall be canceled.

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3.6 Exchange of Shares and Warrants. (a) On and after the Closing Date, each holder of an outstanding certificate or certificates which prior thereto represented shares of URS Common Stock (the "Stock Certificates") shall, upon surrender to the Surviving Corporation of such Stock Certificate or Stock Certificates, be entitled to the amount of cash into which the aggregate number of shares of URS Common Stock previously represented by such Stock Certificate or Stock Certificates surrendered shall have been converted into the right to receive pursuant to this Agreement. In addition, on the Closing Date, each holder of an outstanding Warrant which prior thereto represented the right to purchase shares of URS Common Stock in accordance with the terms of the applicable Warrant Agreement (the "Warrant Certificates" and together with the Stock Certificates, the "Certificates") shall, upon surrender to the Exchange Agent of such Warrant Certificate or Warrant Certificates to the Surviving Corporation, be entitled to the amount of cash into which such Warrant Certificate or Warrant Certificates have been converted pursuant to Section 3.3 of this Agreement. All payments in respect of shares of URS Common Stock and Warrants the Certificates for which are surrendered on the Closing Date shall be made by the Parent in immediately available funds on the Closing Date, which shall be paid in respect of each share of URS Common Stock and each Warrant as follows:

(i) Payments in respect of the portion of the Per Share Price attributable to the portion of the Merger Consideration not deposited in the Escrow Account shall be made by the Parent in immediately available funds on the Closing Date (in exchange for Stock Certificates which are surrendered on the Closing Date) or as soon as practicable following surrender of the related Certificates (in the case of Certificates surrendered following the Closing Date).

(ii) If the Working Capital Adjustment is a Working Capital Addition, then, promptly following the final determination thereof, payments in respect of the

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portion of the Per Share Price attributable to any Working Capital Addition shall be disbursed from the Escrow Account to the holders of shares of URS Common Stock and to the holders of Warrants pro rata according to their holdings (calculated on a fully-diluted basis), with the remaining escrowed funds disbursed to Vornado, in each case as soon as practicable following determination of the Working Capital Adjustment in accordance with Section 3.1 and, in the case of disbursements to holders of shares or Warrants, following the surrender of the related Certificates.

(iii) If the Working Capital Adjustment is a Working Capital Reduction, then, promptly following the determination thereof, a payment equivalent to the Working Capital Reduction shall be disbursed from the Escrow Account to Vornado, with the remaining escrowed funds disbursed from the Escrow Account to the holders of shares of URS Common Stock and to the holders of Warrants pro rata according to their holdings (calculated on a fully-diluted basis), in each case as soon as practicable following determination of the Working Capital Adjustment in accordance with Section 3.1 and, in the case of disbursements to holders of shares or Warrants, following the surrender of the related Certificates.

All disbursements from the Escrow Account shall be made in accordance with the provisions of the Escrow Agreement. With respect to any Certificate alleged to have been lost, stolen or destroyed, the owner or owners of such Certificate, other than the URS Shareholders, shall be entitled to the consideration set forth above upon delivery to the Surviving Corporation of an affidavit of such owner or owners setting forth such allegation and an indemnity agreement to indemnify the Parent and the Surviving Corporation against any claim that may be made against either or both of them on account of the alleged loss, theft or destruction of any such Certificate or the delivery of the payment set forth above.

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(b) If consideration is to be delivered to a Person other than the Person in whose name the Certificate surrendered in exchange therefor is registered, it shall be a condition to delivery of the consideration that the Certificate so surrendered shall be properly endorsed or otherwise in proper form for transfer and that the Person requesting such consideration shall pay any transfer or other Taxes required by reason of the payment to a Person other than the registered holder of the Certificate surrendered or establish to the satisfaction of the Surviving Corporation that such Tax has been paid or is not applicable.

(c) Until surrendered in accordance with the provisions of this Section 3.6, from and after the Effective Time, each Certificate (other than (i) Certificates representing shares of URS Common Stock owned beneficially or of record by the Parent, Acquisition Co. or any other subsidiary of the Parent,

(ii) Certificates representing shares of URS Common Stock held in URS's treasury or by any URS Subsidiary and (iii) Dissenting Shares in respect of which appraisal rights are perfected) shall represent for all purposes the right to receive cash pursuant to Section 3.2(a) or 3.3, as applicable, as determined and paid in the manner set forth in this Agreement.

(d) After the Effective Time there shall be no transfers on the stock transfer books of the Surviving Corporation of the shares of URS Common Stock or Warrants that were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation, they shall be canceled and exchanged for the applicable consideration referred to in Section 3.6(c) hereof.

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#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES OF URS

URS hereby represents and warrants to Vornado, the Parent and Acquisition Co. as follows:

4.1 Organization, etc. (a) URS is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. URS is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified or licensed would not individually or in the aggregate have a Material Adverse Effect or materially restrict the ability of URS to conduct business as presently conducted by it in such jurisdiction. Each jurisdiction where URS is so qualified is listed on Schedule 4.1(a) hereto. Except as set forth on Schedule 4.1(b) hereto, there are no URS Subsidiaries and, except as set forth on Schedule 4.1(b) hereto, URS does not own, directly or indirectly, any capital stock of or equity interests in any Person. URS has heretofore delivered or made available to the Parent accurate and complete copies of the Restated Certificate of Incorporation and By Laws of URS, as amended and in effect on the date hereof. The stock certificate books and ledgers of URS, which have been made available to the Parent - accurately reflect, at the date hereof, the ownership of the issued and outstanding capital stock of URS.

(b) Each URS Subsidiary is listed on Schedule 4.1(b) hereto, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to own, lease and operate its properties and to carry out its business as now being conducted. Each

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URS Subsidiary is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified or licensed would not individually or in the aggregate have a Material Adverse Effect or materially restrict the ability of such URS Subsidiary to conduct business as presently conducted by it in such jurisdiction. Each jurisdiction where each URS Subsidiary is so qualified is listed on Schedule 4.1(b) hereto. URS has heretofore delivered to the Parent accurate and complete copies of the Certificate of Incorporation and By Laws of each URS Subsidiary, as amended and in effect on the date hereof.

(c) Except as set forth on Schedule 4.1(c) hereto, URS owns of record and beneficially 100% of the issued and outstanding capital stock and all other equity interests in each URS Subsidiary, free and clear of any Liens.

4.2 Authorization and Binding Obligation. (a) URS has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. URS's execution, delivery and performance of this Agreement has been duly and validly authorized by all necessary corporate action on the part of URS and this Agreement has been duly executed and delivered by URS. Except for the actions referred to in Section 4.2(b) hereof, which actions are in full force and effect, and the giving of notice in accordance with Section 228(d) of the GCL, no other corporate action or proceedings on the part of URS are necessary to authorize this Agreement or the consummation of the transactions contemplated hereby. This Agreement constitutes the valid and binding obligation of URS, enforceable against URS in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar rights of creditors generally and by general principles of equity.

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(b) The URS Board of Directors (the "Board") has authorized the execution and delivery of this Agreement and the consummation of the

transactions contemplated hereby and has not withdrawn such authorization. Subsequent to the giving of such authorization, Kelso Investment Associates IV, L.P., as the beneficial and record owner of the URS Common Stock as set forth in Schedule 4.3 hereto, has executed and not withdrawn an action by written consent in lieu of meeting of stockholders adopting this Agreement. A true and complete copy of such approvals by the Board and such consent of Kelso Investment Associates IV, L.P. has been delivered to the Parent.

4.3 Capitalization. (a) The authorized URS Common Stock and other authorized capital stock of URS and each of the URS Subsidiaries is as set forth on Schedule 4.3 hereto. All issued and outstanding shares of URS Common Stock and other equity interests of URS and each of the URS Subsidiaries are duly authorized, validly issued, fully paid, non-assessable and free of preemptive rights. Schedule 4.3 hereto sets forth the name of each Person who owns beneficially or of record any shares of URS Common Stock, each Person who owns beneficially or of record any shares of capital stock and other equity interests of any URS Subsidiary and, in the case of URS and each URS Subsidiary, the number of shares owned by each such Person.

(b) Except as set forth on Schedule 4.3 hereto, there are not now, and at the Effective Time there will not be, any options, warrants, calls, subscriptions, or other rights or other agreements or commitments of any nature whatsoever obligating URS or any of the URS Subsidiaries to issue, transfer, deliver or sell, or cause to be issued, transferred, delivered or sold, any additional shares of URS Common Stock or other equity interest of URS or any of the URS Subsidiaries, or any securities or obligations convertible into or exchangeable for any such URS Common Stock or other equity interests, or obligating URS or any of the URS Subsidiaries to grant, extend or enter into any such agreement or commitment and no authorization therefor has

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been given or made by URS or any URS Subsidiary. Except for the arrangements described in Schedule 4.3 hereto, there are no contractual arrangements that obligate URS or any URS Subsidiary to (i) repurchase, redeem or otherwise acquire any of its capital stock or its other equity interests or (ii) pay any Person any consideration that is calculated with reference to the consideration to be paid to the URS Stockholders under this Agreement.

4.4 Consents and Approvals; No Conflicts. Except for applicable requirements of the HSRA and as set forth on Schedule 4.4 hereto and the approvals referred to in Section 4.2(b) hereof, the giving of notice in accordance with Section 228(d) of the GCL and the filing and recordation of the Certificate of Merger as required by the GCL, no filing with, and no permit, authorization, consent or approval of, any Governmental Authority or other third party is necessary for the consummation by URS of the transactions contemplated by this Agreement, except where the failure to make such filing or obtain such authorization, consent or approval would not individually or in the aggregate have a Material Adverse Effect. Neither the execution and delivery of this Agreement by URS nor the consummation by URS of the transactions contemplated hereby, nor compliance by URS with any of the provisions hereof, will (i) result in any violation of any provision of the Certificate of Incorporation or By Laws of URS or any URS Subsidiary, (ii) violate any Applicable Law or (iii) except as set forth on Schedule 4.4 hereto, result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default or give rise to a right of any Person to terminate, cancel or accelerate the payment or performance of any liability, obligation or commitment under any contract (including any Contract listed in Schedule 4.14 hereto) to which URS or any of the URS Subsidiaries is a party, or by which any of their respective properties are bound, except, in the case of clauses (ii) and (iii) above, where such violation, breach, default or right of termination, cancellation or acceleration would not individually or in the aggregate have a Material Adverse Effect.

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4.5 Financial Statements. URS has furnished the Parent with (i) a consolidated balance sheet of URS as at December 31, 1996 and consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows of URS for such year, together with the related audit report of Deloitte & Touche and (ii) an unaudited consolidated balance sheet of URS as at August 31, 1997 and a consolidated statement of operations of URS for the eight-month period ended August 31, 1997. All such financial statements are referred to herein collectively as the "Financial Statements". Other than as set forth in Schedule 4.5 hereto, the Financial Statements (including any related schedules and/or notes) have been prepared in accordance with GAAP consistently applied throughout the periods presented, except that the unaudited financial statements are subject to year-end adjustments and do not contain footnotes. The balance sheets included in the Financial Statements fairly present, in all material respects, the financial position of URS and the URS Subsidiaries as at the date thereof, and the statements of operations, changes in stockholders' equity (deficit) and cash flows included in the Financial Statements fairly present, in all material respects, the results of the operations, changes in stockholders' equity (deficit) and cash flows, respectively, of URS and the URS Subsidiaries for the periods indicated.

4.6 Undisclosed Liabilities. Except (i) to the extent reflected or reserved against in the August 31, 1997 balance sheet of URS included in the Financial Statements, (ii) to the extent specifically set forth on Schedule 4.6 hereto, and/or (iii) for obligations of URS arising in the ordinary course of the performance of its responsibilities under any Contracts (as defined in Section 4.14 hereof) listed on Schedule 4.14 or any agreement which is not required to be listed on Schedule 4.14 because of the limitations set forth in Section 4.14, neither URS nor any URS Subsidiary has any liabilities or obligations of any nature, whether liquidated, unliquidated, accrued, absolute, contingent or otherwise which individually or in the aggregate would have a Material Adverse Effect.

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4.7 Governmental Approvals and Authorizations. Except as set forth in Schedule 4.7 hereto, all approvals, permits, qualifications, authorizations, licenses, franchises, consents, orders, registrations or other approvals (collectively, the "Governmental Approvals") of all Governmental Authorities which are necessary in order to permit URS and the URS Subsidiaries to carry on their respective businesses have been obtained and are in full force and effect, except where the failure to obtain such approval, permit, qualification, authorization, license, franchise, consent, order, registration or other approval, or the failure to be in full force and effect, would not individually or in the aggregate have a Material Adverse Effect. There has been no violation, cancellation, suspension or revocation of any Governmental Approval. This Section 4.7 does not relate to environmental matters, which are the subject of Section 4.22.

4.8 Compliance with Laws. Except as set forth on Schedule 4.8, neither URS nor any URS Subsidiary is in conflict with or in violation or breach of or default under (a) any Applicable Law or (b) any provision of its organizational documents, and since December 31, 1996, neither URS nor any URS Subsidiary has received any written notice alleging any such conflict, violation, breach or default, except for any such violations, breaches or defaults which would not individually or in the aggregate have a Material Adverse Effect. This Section 4.8 does not relate to environmental matters, which are the subject of Section 4.22.

4.9 Absence of Certain Payments. None of Kelso, URS, any URS Subsidiary, or any director, officer, employee or agent of, or consultant or other representative of, URS or any URS Subsidiary, or any other Person authorized to act on behalf thereof, has unlawfully offered, paid or agreed to pay, directly or indirectly, any money or anything of value to or for the benefit of any individual who is or was an official or employee or candidate for office of any Governmental Authority, or any employee or agent of any

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customer or supplier of URS or any URS Subsidiary, except for any such offer, payment or agreement to pay which would not individually or in the aggregate have a Material Adverse Effect and would not reasonably be expected to subject URS or any URS Subsidiary to any damage or penalty in any civil, criminal or governmental litigation or proceeding.

4.10 Real Property. Schedule 4.10 hereto sets forth a complete list of (i) all real property and all interests in real property owned in fee by URS or the URS Subsidiaries (individually, an "Owned Property") and (ii) all real property and all interests in real property leased by URS or the URS Subsidiaries (individually, a "Leased Property"; together with the Owned Property, the "Real Property"). URS and the URS Subsidiaries have (i) good, marketable and insurable fee title to all Owned Property, and (ii) good and valid leasehold interests in all Leased Property, and in the case of all of the Owned Properties and those leasehold estates covered by the applicable title insurance policies and update letters or endorsements (as the case may be) set forth on Schedule 4.10 hereto, such title is free and clear of any Liens, except (a) those created or permitted under the BT Credit Agreement or the MetLife Loan Agreement, (b) as disclosed in those certain title insurance policies and update letters or endorsements, as the case may be, set forth on Schedule 4.10 hereto, and (c) other easements, rights of way and minor and immaterial liens, charges or encumbrances that do not interfere with the use of the Real Property in the normal conduct of the business of URS and the URS Subsidiaries and that do not materially impair the value of the Real Property (collectively, the "Permitted Liens"). Complete and correct copies of each lease relating to the Leased Property described on Schedule 4.10 hereto have been furnished or made available to the Parent. The current use and operation of the Real Property does not violate in any material respect any instrument of record affecting the Real Property. Except as disclosed on Schedule 4.10 hereto, no damage or destruction has occurred and, to the Knowledge of URS, no condemnation or rezoning proceeding has been threatened or

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commenced with respect to any of the Real Property that would individually or in the aggregate materially impair the continued use or operation of the Owned

Property or the Leased Property. The Owned Property is in compliance with all Real Estate Laws, and neither URS nor any URS Subsidiary has any Knowledge of any written notice of violation or claimed violation of any Real Estate Law, in either case except where such violation or lack of compliance would not, individually or in the aggregate, materially restrict the ability of URS or any URS Subsidiary to conduct its business as presently conducted by it at any location. Except as disclosed on Schedule 4.10 hereto, neither URS nor any URS Subsidiary is obligated under or a party to any option, right of first refusal or other contractual right to purchase, acquire, sell or dispose of any Real Property. Neither URS nor any URS Subsidiary is a lessor, sublessor or grantor under any lease, sublease or other instrument granting to another Person any right to the possession, lease, occupancy or enjoyment of the Real Property, other than pursuant to the agreements listed on Schedule 4.14 hereto. This Section 4.10 does not relate to environmental matters, which are the subject of Section 4.22.

4.11 Personal Property. URS has previously delivered to the Parent a schedule, as of December 31, 1996, which schedule includes a complete list of each item of tangible personal property or assets owned by URS or any URS Subsidiary having a value of \$5,000 or more. URS and each of the URS Subsidiaries has good and valid title to all tangible personal property and assets which it owns, including the material tangible personal property reflected in the August 31, 1997 balance sheet included in the Financial Statements as being owned by URS or such URS Subsidiary, as the case may be, except for such tangible personal property and assets disposed of in the ordinary course of business, consistent with past practice, since August 31, 1997 having a value not in excess of \$250,000. URS and each of the URS Subsidiaries has a valid legal right to use all tangible personal property and assets which it does not own but uses in the conduct of its business, except

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where the failure to have such valid legal right would not individually or in the aggregate have a Material Adverse Effect.

4.12 Intellectual Property. (a) URS and each URS Subsidiary possesses all patents, trademarks, service marks, trade names, copyrights and licenses that are necessary for the use or ownership of its respective properties and assets, and the maintenance and operation of its respective businesses as currently conducted. Neither URS nor any URS Subsidiary uses any registered trademarks, trade names, copyrights or patents (or have applications therefor pending) in connection with their respective businesses, except for those set forth on Schedule 4.12 hereto (collectively referred to as the "Intellectual Property"). Except as set forth on Schedule 4.12 hereto, the Intellectual Property is owned by URS or a URS Subsidiary, as indicated Schedule 4.12 hereto, and are not subject to any license, royalty arrangement or dispute. To the Knowledge of URS, no registered trademark or trade name used by URS or any URS Subsidiary infringes on any trademark or trade name in any state or country in which such trademark or trade name is used by URS or such URS Subsidiary. Neither URS nor any URS Subsidiary has received written notification of infringement of any patent, copyright, trademark or trade name, or any application therefor, from any Person.

(b) Each of URS and each URS Subsidiary possesses the right to use all of its logistics and RF software and related data bases that are necessary for the conduct of its respective operations as currently conducted. To the Knowledge of URS, no other Person has any material interest in any such software or data bases (other than any licensee or licensor thereof which is not an officer, director or Affiliate of URS or any URS Subsidiary).

4.13 Absence of Conflicts of Interest. Except as set forth on Schedule 4.13 hereto, none of the URS Stock-

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holders nor any officer, director or Affiliate of URS or any URS Subsidiary has any material interest in any material contract or material property (real or personal), tangible or intangible, used in the business of URS or any URS Subsidiary.

4.14 Contracts. Schedule 4.14 hereto lists (or describes in the case of oral contracts) each contract, note, debt instrument, lease, sublease, warehouse services agreement, covenant not to compete, supply agreement, guarantee, licensing agreement, partnership agreement, joint venture agreement, employment agreement (other than employment agreements set forth on Schedule 4.16 hereto), collective bargaining agreement or other agreement or commitment of any kind, whether written or oral, to which URS or any URS Subsidiary is a party (other than agreements set forth on Schedule 4.16 hereto) or by which either of them is bound (each, a "Contract"), provided that such Schedule need not list (i) any written or oral Contract or related written Contracts under which the aggregate payments required to be made by or to URS or any URS Subsidiary over the life of the Contract or Contracts are less than \$300,000, (ii) any rate quote or (iii) any warehouse receipt. Complete copies of every written Contract listed on Schedule 4.14 hereto have been previously made available to the Parent. Each of URS and the URS Subsidiaries has performed all

material obligations required to be performed by it to date under the Contracts (and every employment contract listed on Schedule 4.16 hereto), and neither URS nor any URS Subsidiary has received written (or, to the Knowledge of URS, oral) notice that it is in material default in the performance of any of its obligations under any Contract.

4.15 Labor Matters. Except as described on Schedule 4.15 hereto, since December 31, 1996, there have been no work stoppages or labor difficulties relating to employees of URS or the URS Subsidiaries. There are no labor disputes currently subject to any unfair labor practice complaint, grievance procedure, arbitration or litigation, nor is there any default or any event which, with

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notice or the passage of time or both, would become a default, under any agreement with any labor union or association representing employees of URS or any URS Subsidiary, except for any such dispute, procedure, arbitration, litigation or default which would not individually or in the aggregate have a Material Adverse Effect. There are no strikes, picketing, work stoppages or representation petitions pending or, to URS's Knowledge, threatened with respect to any employee of URS or any URS Subsidiary.

4.16 Employee Benefit Plans. (a) Schedule 4.16 hereto contains a true and complete list of each "employee benefit plan", as such term is defined in Section 3(3) of ERISA, and each bonus, medical incentive or deferred compensation, severance, retention, change in control, equity incentive or other material employee benefit plan, program or policy maintained or contributed to by URS or any URS Subsidiary for the benefit of its respective employees or former employees or with respect to which URS or a URS Subsidiary is obligated to contribute on behalf of its employees and current or former directors (collectively, the "Plans"). URS has made available to the Parent true and complete copies of all Plans; all related trust agreements and insurance contracts forming a part of any Plans; the most recent actuarial and trust reports prepared for any such Plan; the most recent Form 5500 filed in respect of each such Plan and all schedules thereto; the most recent determination letter issued in respect of each such Plan; the current summary plan descriptions with respect to such Plans for which such a description has been distributed; and all amendments to any such document.

(b) Each Plan intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the IRS with respect to "TRA" (as defined in Section 1 of Rev. Proc. 93-39) as to the qualification thereof under Section 401(a) of the Code and, to the Knowledge of URS, no amendment has been made to any such Plan since the date of such determination letter that has or would result in the disqualification of such Plan

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under Section 401(a) of the Code. Each of the Plans has been operated and administered in all material respects in accordance with applicable laws, including but not limited to ERISA and the Code. There are no material pending or, to the Knowledge of URS, threatened claims by or on behalf of any of the Plans or by any employee participating therein (other than routine claims for benefits). All contributions required to have been made by URS and the URS Subsidiaries to any Plan pursuant to applicable law (including, without limitation, ERISA and the Code) have been made on a timely basis. Neither URS nor any of the URS Subsidiaries has engaged in a transaction with respect to any Plan that, assuming the taxable period of such transaction expired as of the date hereof, could subject URS or any of the URS Subsidiaries to a tax or penalty imposed by either Section 4975 of the Code or Section 502(i) of ERISA in an amount which could be material.

(c) As of the date hereof, no liability under Title IV of ERISA (other than for the payment of premiums under Section 4007) has been or is expected to be incurred by URS or any URS Subsidiary with respect to any ongoing, frozen or terminated "single employee plan", within the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by any of them.

(d) No Plan is or within the preceding six years has been a multiemployer plan within the meaning of Section 4001(a)(3) of ERISA or a multiple employer plan within the meaning of Section 4063 or 4064 of ERISA.

(e) Except for URS and each URS Subsidiary, no other trade or business, whether or not incorporated, is currently or, within the preceding six years, has been required to be treated as a "single employer" with URS pursuant to clause (b), (c) or (m) of Section 414 of the Code.

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(f) Neither URS nor any URS Subsidiary has any obligations for retiree health and life benefits under any Plan, except as set forth on Schedule 4.16(f).

(g) Except as set forth on Schedule 4.16(g) hereto, the consummation

of the transactions contemplated by this Agreement will not (i) entitle any employees of URS or any URS Subsidiary to severance pay, (ii) accelerate the time of payments or vesting or trigger any payment of compensation or benefits under, increase the amount payable or trigger any other material obligation pursuant to, any Plan or (iii) result in any breach or violation of, or a default under, any of the Plans.

4.17 Actions Pending. Except as set forth in Schedule 4.17 hereto, there is no civil, criminal or administrative action, suit, hearing, claim, litigation, proceeding or investigation pending or, to the Knowledge of URS, threatened, against or affecting URS or any URS Subsidiary or the business or any of the assets of URS or any URS Subsidiary, or which seeks to enjoin or prohibit, or otherwise questions the validity of, any action taken or to be taken in connection with this Agreement, and there is no order, decision, ruling, injunction, judgment, award or decree or consent of or agreements with any Governmental Authority against or affecting URS or any URS Subsidiary or the business or assets of URS or any URS Subsidiary, or which enjoins or prohibits, any action taken or to be taken in connection with this Agreement.

4.18 Affiliate Transactions. Except as set forth on Schedule 4.18 hereto, there are no existing agreements, understandings or arrangements between URS or any URS Subsidiary, on the one hand, and any Affiliate of URS or any URS Subsidiary, on the other hand.

4.19 Absence of Certain Changes. Except as set forth on Schedule 4.19 hereto, since August 31, 1997, (a) URS and the URS Subsidiaries have conducted their respective businesses in the ordinary and usual course of

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their respective businesses, and (b) there has not been any change in the financial condition, assets, owned or leased properties, business or results of operations of URS or any URS Subsidiary that, individually or in the aggregate, has had a Material Adverse Effect and (c) neither URS nor any URS Subsidiary has taken any action of the type described in any clause of Section 6.1.

4.20 Insurance. Schedule 4.20 hereto lists all material insurance policies maintained by, or for the benefit of, URS or any URS Subsidiary, as an insured. All such insurance policies are in full force and effect, all premiums due thereon have been paid and no notice of termination of any such policy has been received by the insured thereunder.

4.21 Taxes. Except as set forth on Schedule 4.21 hereto, or as reflected or reserved against in the December 31, 1996 balance sheet included in the Financial Statements, (i) URS and the URS Subsidiaries have (or by the Closing Date will have) duly and timely filed or caused to be filed all Tax Returns that are required to be filed on or before the Closing Date or the time for filing such returns shall have been validly extended to a date after the Closing Date (collectively, the "Returns"), except to the extent that the failure to so file would not individually or in the aggregate have a Material Adverse Effect; (ii) URS and the URS Subsidiaries have paid all Taxes shown or required to be shown on such Returns, and have (or by the Closing Date will have) withheld and remitted to the appropriate Taxing Authority, all Taxes that are required to be withheld on or before the Closing Date, except to the extent that the failure to so pay, withhold or remit would not individually or in the aggregate have a Material Adverse Effect; (iii) no claim in writing by the IRS or any other Taxing Authority for assessment or collection of Taxes, that are or may become payable by URS or the URS Subsidiaries or chargeable as a Lien upon the assets thereof, has been received by URS or any URS Subsidiary; (iv) Federal income tax returns for the taxable years of URS through the taxable year ended 1991

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have been examined and closed; (v) neither URS nor any URS Subsidiary has granted any extension or waiver of the limitation period applicable to any Returns, which period (after giving effect to such extension or waiver) has not yet expired; (vi) neither URS nor any URS Subsidiary has received any notice in writing of any claim, audit, action, suit, proceeding or investigation now pending against or with respect to URS or any URS Subsidiary in respect of any Tax; (vii) there are no requests for rulings or determinations in respect of any Tax pending between URS or any URS Subsidiary, on the one hand, and any Taxing Authority on the other; (viii) neither URS nor any URS Subsidiary has (A) been a member of an affiliated group, or (B) filed or been included in a combined, consolidated or unitary Return, in each case involving group members other than URS and the URS Subsidiaries; and (ix) neither URS nor any of the URS Subsidiaries has (a) elected to be treated as a "real estate investment trust" for federal income tax purposes for any taxable year ending after December 31, 1993 or (b) acquired, since January 1, 1994, a substantial portion of the assets of an entity whose election to be treated as a "real estate investment trust" has been terminated or revoked. Schedule 4.21 hereto contains a list of states, territories and jurisdictions (whether foreign or domestic) with respect to which any income Tax Return has been filed by URS or any URS Subsidiary within the last three taxable years.

For purposes of this Agreement: (a) "Tax" means any net income,

alternative or add-on minimum tax, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, license, withholding on amounts paid to or by URS or any URS Subsidiary, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profits tax, custom duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or penalty, addition to tax or additional amount imposed by any Governmental Authority (domestic or foreign) (a "Taxing Authority"), (b) "Taxes" shall have a correlative meaning and (c) "Tax Returns" shall mean reports, returns,

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information statements relating to Taxes or other documents filed or maintained or required to be filed or maintained, in connection with any Tax.

4.22 Environmental Matters. Except as set forth on Schedule 4.22 hereto and in the environmental reports, studies, assessments, sampling results or other written environmental analyses listed therein (the "Environmental Reports"), URS's and each URS Subsidiary's operation and use of its assets and the Real Property are in compliance in all respects with all Environmental Laws, except to the extent that any such noncompliance would not individually or in the aggregate have a Material Adverse Effect. Except as set forth on Schedule 4.22 or in the Environmental Reports listed thereon, URS and the URS Subsidiaries have obtained all environmental, health and safety permits necessary for the operation of the business of URS and the URS Subsidiaries as presently conducted, and all such permits are in full force and effect and URS and each URS Subsidiary are in compliance in all respects with the terms and conditions of each such permit, except, in each case, to the extent that any such failure to obtain or noncompliance would not individually or in the aggregate have a Material Adverse Effect.

Except as disclosed in Schedule 4.22 or in the Environmental Reports and except as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (i) no property currently owned or operated by URS or any URS Subsidiary, including the Owned and Leased Properties, has been contaminated in any material respect with any substance regulated under any Environmental Law such that any removal or remedial action is required under Applicable Law; (ii) URS and the URS Subsidiaries are not subject to any material liability for any off-site disposal or contamination; and (iii) there are no other conditions or violations involving URS or any URS Subsidiary (including the presence of asbestos, underground storage tanks, chlorofluorocarbons, Freon and polychlorinated biphenyls) that are likely to result in any material claims,

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liabilities or costs or any restrictions on the ownership, use or transfer of any Owned or Leased Property in connection with any Environmental Law. Except as disclosed in Schedule 4.22, URS is not in possession of any environmental reports, studies, assessments, sampling results or other written environmental analyses relating to any Owned Property other than the Environmental Reports and a copy of each of these Environmental Reports has been made available to Parent at least five days prior to the date hereof.

4.23 Brokers, Finders, etc. Except as described on Schedule 4.23, neither URS nor any URS Subsidiary has employed, or is subject to the valid claim of, any broker, finder or other financial intermediary in connection with the transactions contemplated by this Agreement or the transactions contemplated hereby, who might be entitled to a fee or commission in connection herewith or therewith.

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES OF VORNADO, THE PARENT AND ACQUISITION CO.

Vornado, the Parent and Acquisition Co., jointly and severally, represent and warrant to URS as follows:

5.1 Organization and Standing. Vornado is a real estate investment trust duly organized and in good standing under the laws of the State of Maryland and has the power and authority to carry on its business as presently conducted, except where the failure to be so qualified would not have a material adverse effect on its ability to timely perform its obligations hereunder or consummate the transactions contemplated hereby. The Parent is a Delaware corporation duly organized and in good standing under the laws of the State of Delaware and has the power and authority to carry on its business as presently conducted, except where the failure to be so qualified would not have a

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material adverse effect on its ability to timely perform its obligations hereunder or consummate the transactions contemplated hereby. Acquisition Co. is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and

authority to carry on its business as presently conducted, except where the failure to be so qualified would not have a material adverse effect on its ability to timely perform its obligations hereunder or consummate the transactions contemplated hereby.

5.2 Authorization and Binding Obligation. Each of Vornado, the Parent and Acquisition Co. has all necessary corporate or other power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Vornado, the Parent and Acquisition Co. and the consummation by Vornado, the Parent and Acquisition Co. of the transactions contemplated hereby have been duly and validly authorized and approved by all necessary corporate (or other) action on the part of each of Vornado, the Parent and Acquisition Co. and no other corporate action or other proceedings on the part of Vornado, the Parent or Acquisition Co. is necessary to authorize this Agreement or the consummation of the transactions contemplated hereby. This Agreement has been duly executed and delivered by each of Vornado, the Parent and Acquisition Co. and constitutes a valid and binding obligation of Vornado, the Parent and Acquisition Co., enforceable against Vornado, the Parent and Acquisition Co. in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar rights of creditors generally and by general principles of equity.

5.3 Consents and Approvals; No Conflicts. Except for applicable requirements of the HSRA and filing and recordation of the Certificate of Merger as required by the GCL, no filing with, and no permit, authorization, consent or approval of, any public body or authority is necessary for the consummation by Vornado, the Parent or Acquisition

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Co. of the transactions contemplated by this Agreement, except where the failure to make such filing or obtain such permit, authorization, consent or approval, would not have a material adverse effect on such Person's ability to timely perform its obligations hereunder or consummate the transactions contemplated hereby. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby, nor compliance by Vornado, the Parent or Acquisition Co. with any of the provisions hereof will (a) result in any violation of any provision of the organizational documents of Vornado, the Parent or Acquisition Co., (b) violate any Applicable Law, or (c) result in a material violation or breach of, or constitute (with or without due notice or lapse of time or both) a material default (or give rise to any right of termination, cancellation or acceleration) under, any material contract, agreement, note, bond, mortgage, indenture, license, lease, franchise, permit, Plan or other instrument or obligation to which Vornado, the Parent or Acquisition Co. is a party, or by which either of them or any of their respective properties is bound, except in the case of clauses (b) and (c) above, where such violation, breach, default or right of termination would not have a material adverse effect on such Person's ability to timely perform its obligations hereunder or to consummate the transactions contemplated hereby.

5.4 Litigation. There is no claim, litigation, proceeding or investigation pending or, to the best of Vornado's, the Parent's or Acquisition Co.'s knowledge, threatened, which seeks to enjoin or prohibit, or otherwise questions the validity of, any action taken or to be taken by Vornado, the Parent or Acquisition Co. in connection with this Agreement or which would have a material adverse effect on such Person's ability to timely perform its respective obligations hereunder or to consummate the transactions contemplated hereby.

5.5 Finders and Investment Bankers. None of Vornado, the Parent or Acquisition Co. has employed, or is subject to the valid claim of, any broker, finder or other

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financial intermediary in connection with the transactions contemplated by this Agreement or the transactions contemplated hereby, who might be entitled to a fee or commission in connection herewith or therewith, payable by URS or any URS Subsidiary.

5.6 Financing. Vornado has available to it pursuant to existing credit facilities sufficient cash on hand to allow it to pay the Merger Consideration, consummate the transactions contemplated hereby and pay related fees and expenses.

## ARTICLE VI

### COVENANTS

6.1 Conduct of Business. During the period from the date hereof to the Closing Date, URS covenants and agrees that it will and will cause the URS Subsidiaries to carry on their businesses in the ordinary course of business, in substantially the same manner as heretofore conducted, and will use its reasonable commercial efforts to preserve intact its and the URS Subsidiaries'

present business organization, keep available the services of their respective officers and Employees and preserve their relationships with customers and suppliers and others having business dealings with them, to the end that their goodwill and going business shall be maintained following the Closing. Without limiting the generality of the foregoing, except as expressly permitted by this Agreement or with the prior written consent of the Parent, such consent not to be unreasonably withheld or delayed, or as set forth on Schedule 6.1 hereto, URS covenants and agrees that it will not, and it will not permit any URS Subsidiary to do, or agree to do, on or after the date hereof, any of the following, on or before the Closing:

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(a) amend their respective certificates of incorporation or by-laws or other organizational documents;

(b) rescind, modify, amend or otherwise change or affect any of the resolutions of the Board recommending adoption of this Agreement and authorization of the Merger;

(c) issue, sell, transfer, assign, pledge, convey or dispose of any security or equity interest or any security convertible into or exchangeable or exercisable for any security or equity interest, including, without limitation, any subscriptions, options, warrants, calls, conversions or other rights, agreements, commitments, arrangements or understandings of any kind obligating URS or any URS Subsidiary, contingently or otherwise, to issue or sell, or cause to be issued or sold, any security or equity interest of URS or any URS Subsidiary or any security convertible into or exchangeable or exercisable for any security or equity interest;

(d) split, combine or reclassify any shares of any class of its capital stock, declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of any class of its capital stock, or redeem or otherwise acquire any shares of such capital stock;

(e) write off any receivables, except in the ordinary course of business consistent with past practice;

(f) sell, assign, lease or otherwise transfer or dispose of any material assets except in the ordinary course of business consistent with past practice in an aggregate amount not in excess of \$250,000, unless the same shall be replaced with assets of equal or greater value and utility;

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(g) (i) except in the ordinary course of business consistent with past practice under existing lines of credit, create, incur or assume any liability, including obligations in respect of capital leases, or make or commit to make capital expenditures in excess of \$100,000 each or \$250,000 in the aggregate, or create, incur, assume, maintain or permit to exist any indebtedness in an aggregate amount greater than \$250,000 for URS and the URS Subsidiaries combined; (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other Person, except for assumptions, guarantees or endorsements by URS of the obligations of any URS Subsidiary in the ordinary course of business consistent with past practice; (iii) except as set forth on Schedule 6.1 hereto, make any loans, advances or capital contributions to, or investments in, any other Person (other than customary loans or advances in the ordinary course of business consistent with past practice to Employees not to exceed \$100,000 in the aggregate and extensions of credit made to customers on a trade receivable basis in the ordinary course of business consistent with past practice; or (iv) create, assume or permit to exist any Lien upon their assets, except for those in existence on the date of this Agreement and except for those additional Liens created in the ordinary course of business consistent with past practice;

(h) except as set forth on Schedule 6.1(h) hereto (i) increase or modify or agree to increase or modify the compensation, bonuses or other benefits or perquisites of any Employee of URS or any URS Subsidiary, except for salary increases granted in the ordinary course of business consistent with past practice, or (ii) pay or commit to pay any compensation, bonus, pension or other retirement benefit or allowance, fringe benefit or other benefit not required by the terms of an existing Plan, or collective bargaining agreement as in effect on the date hereof or

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otherwise in the ordinary course of business consistent with past practice;

(i) make any new elections, or make any changes to current

elections, with respect to Taxes;

(j) change their auditors, fail to maintain their books and records in accordance with GAAP or materially change their auditing or bookkeeping practices;

(k) take or fail to take any action that would cause any of its representations and warranties not to be true and correct on the Closing Date in the manner required by Section 7.3(b) hereof;

(l) cancel or materially amend or modify any agreements or any real or material personal property leases;

(m) other than in the ordinary course of business, cancel or materially amend or modify any agreements with customers; or

(n) enter into any new agreements with any customers with a duration of more than one year.

6.2 Third-Party Consents. URS covenants and agrees that it will and will cause each URS Subsidiary to use reasonable commercial efforts to obtain, prior to Closing, the consents of third parties and Governmental Authorities set forth on Schedule 4.4 hereto.

6.3 Compliance with GCL; Filings. (a) As soon as practicable and in any event within ten (10) days after the date of this Agreement, URS will prepare and deliver to each stockholder of URS a notice, in accordance with Sections 228(d) and 262(d)(2) of the GCL, regarding (i) the execution of this Agreement, (ii) the Board's approval of this Agreement, (iii) the execution by each URS Stockholder of an action by written consent in lieu of a meeting of

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stockholders adopting the Merger and (iv) the availability of appraisal rights under Section 262 of the GCL.

(b) As promptly as practicable, each of URS, the Parent and Acquisition Co. shall properly prepare and file any filings required under any Federal, state, county, local or municipal law relating to the Merger and the transactions contemplated herein (such filings, together with the filings required under the HSRA, are, collectively, the "Filings"). The Parent and Acquisition Co., on the one hand, and URS, on the other, shall promptly notify the other of the receipt of any comments on, or any request for amendments or supplements to, the Filings by any governmental official, and each of URS, the Parent and Acquisition Co. will supply the other with copies of all correspondence between it and each of its subsidiaries and representatives, on the one hand, and any appropriate governmental official, on the other hand, with respect to the Filings.

6.4 Additional Agreements. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use (and URS shall cause the URS Subsidiaries to use) their commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to cooperate with one another in connection with the foregoing, including using its commercially reasonable efforts to obtain all necessary consents, approvals and authorizations as are required to be obtained under Applicable Law, to defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the transactions contemplated hereby, to cause to be lifted or rescinded any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated hereby, and to effect all necessary registrations and Filings.

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6.5 Acquisition Proposals. None of URS or any of URS's employees, representatives or agents (collectively, the "URS Representatives") shall, directly or indirectly, solicit or initiate inquiries or proposals from or enter into any agreement with respect to, or provide any confidential information to or participate in any discussions or negotiations with, any Persons or group (other than the Parent, Acquisition Co. and their respective subsidiaries and their respective directors, officers, employees, representatives and agents) concerning any sale of assets or shares of URS Common Stock, any assets or shares of capital stock of any URS Subsidiary or any merger, consolidation or similar transaction involving URS or any URS Subsidiary (except, in all cases, for any sale of immaterial assets, in the ordinary course of business consistent with past practices). URS will promptly cease and URS will cause to be terminated by the URS Subsidiaries any existing discussions or negotiations with any third parties conducted heretofore with respect to any of the foregoing and will use its reasonable commercial efforts to retrieve and/or cause to be destroyed any and all nonpublic information concerning URS or any URS Subsidiary that has been furnished to third parties in connection therewith.

6.6 Public Announcements. The Parent and URS will consult with one another before issuing any press release or otherwise making any public

statement with respect to this Agreement or the Merger and shall not issue any such press release or make any such public statement prior to such consultation without the consent of the Parent and URS, except based on the advice of counsel for URS or the Parent, as the case may be, as required by Applicable Law.

6.7 Consent of the Parent. The Parent, as the sole shareholder of Acquisition Co., by executing this Agreement hereby consents to the execution, delivery and performance of this Agreement by Acquisition Co. and such consent shall be treated for all purposes as a vote duly

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adopted at a meeting of the shareholders of Acquisition Co. held for such purpose.

6.8 Transfer Taxes. (a) The Parent shall be responsible for the payment of, and shall indemnify the URS Stockholders against, all Transfer Taxes arising out of or in connection with or attributable to the transactions effected pursuant to this Agreement.

(b) As between the URS Stockholders, on the one hand, and the Parent, on the other hand, the party that has the primary responsibility under Applicable Law for filing any Tax return required to be filed in respect of Transfer Taxes shall prepare and timely file such Tax return, provided that such party's preparation of such Tax return shall be subject to the other party's approval, which approval shall not be withheld or delayed unreasonably.

6.9 Treatment of Books and Records. For a period of three years after the Closing Date, at least 30 days prior to discarding or destroying any books or records relating to the business of URS, the Parent shall give Kelso, as a representative of the URS Stockholders, notice of its intended action and an opportunity for Kelso to retain any of the books or records proposed to be discarded or destroyed by the Parent or URS, as the case may be. Prior to the destruction of any such books or records, Kelso shall have the right, upon reasonable advance request, to have access to such books and records during normal business hours to enable any or all of the URS Stockholders to fulfill their Tax or other ordinary course of business obligations.

6.10 Indemnification of Officers and Directors. The Parent agrees that for the entire period from the Effective Time until at least six (6) years after the Effective Time the Certificate of Incorporation and the By-Laws of the Surviving Corporation shall contain the provisions with respect to indemnification and exculpation from liability set forth in URS's Certificate of

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Incorporation and By-Laws as of the date of this Agreement, which provisions shall not be amended, repealed or otherwise modified during such period in any manner that would adversely affect the rights thereunder of individuals who on or prior to the Effective Time were directors, officers, employees or agents of URS unless such modification is required by Applicable Law.

6.11 Access. Upon reasonable notice, and except as may otherwise be required by Applicable Law, URS shall (and shall cause the URS Subsidiaries to) afford the Parent's officers, agents and advisors reasonable access, during normal business hours throughout the period prior to the Effective Time, to its properties, books, contracts and records and, during such period, URS shall (and shall cause the URS Subsidiaries to) furnish to the Parent and its agents and advisors all information concerning its business, properties and personnel as they may reasonably request, provided that no investigation pursuant to this Section shall affect or be deemed to modify any representation or warranty made by URS. All such information shall be governed by the terms of the Confidentiality Agreement referred to in Section 11.4.

6.12 Repayment of Indebtedness. If requested by the Parent prior to the Closing, the Company will repay all indebtedness under each of the MetLife Loan Agreement and the BT Credit Agreement (using funds supplied by the Parent).

6.13 Post-Closing True-Up. In the event that at any time subsequent to the Closing, URS repays the indebtedness under the MetLife Loan Agreement and the aggregate amount of indebtedness repaid, together with any interest due thereon and the prepayment, redemption or prepayment fees, surcharges, premiums or penalties associated with such repayment are less than the Prepayment Price (as defined in Section 1.1 of the MetLife Loan Agreement) that would be payable at such time were such indebtedness repaid at such time pursuant to the terms of the MetLife Loan Agreement, as

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in effect on the date hereof (the amount of such difference being referred to herein as the "Prepayment Shortfall"), then Vornado shall promptly pay to Kelso, as a representative of the former holders of URS Common Stock an amount equal to one-half of the Prepayment Shortfall and such payment shall be distributed to

the former holders of URS Common Stock and Warrants with an Exercise Price in excess of the Per Share Price ratably in proportion to their respective holdings (calculated on a fully diluted basis).

6.14 Management Bonus Amount Arrangements. Prior to the Closing, Parent and URS shall make arrangements, reasonably satisfactory to URS, for the payment of the portion of the Management Bonus Amount set forth on Schedule 1.34(b) to each of the applicable individuals and in the applicable amounts specified by URS in writing prior to the Effective Time; it being understood and agreed that URS shall consult with Vornado regarding the selection of such individuals and such amounts. Such arrangements shall include an escrow and shall provide, among other things, that all such payments shall be made to each individual by no later than 90 days after the Effective Time so long as such individual has not voluntarily terminated his employment with URS prior to such 90th day after the Effective Time.

## ARTICLE VII

### CLOSING CONDITIONS

7.1 Conditions Precedent to the Obligations of All Parties. The respective obligations of each party to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of each of the following conditions:

(a) Any waiting period (and any extension thereof) applicable to the consummation of the Merger under the HSRA shall have expired or been terminated.

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(b) No preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission nor any statute, rule, regulation or executive order promulgated or enacted by any Governmental Authority shall be in effect which would be reasonably likely to (i) make the consummation of the Merger by Vornado, the Parent, Acquisition Co. or URS illegal or (ii) otherwise prevent the consummation of the Merger.

7.2 Additional Conditions to the Obligation of URS. The obligation of URS to effect the Merger is also subject to the fulfillment at or prior to the Effective Time of the following additional conditions:

(a) The Parent and Acquisition Co. shall each have performed in all material respects each of its respective obligations under this Agreement required to be performed by it on or prior to the Effective Time pursuant to the terms hereof.

(b) The representations and warranties of the Parent and Acquisition Co. contained in this Agreement shall be true and correct in all material respects, in each case when made and, unless such representation or warranty is made as of a specific date (in which case it shall be true and correct in all material respects as of such date), at and as of the Effective Time as if made at and as of such time.

(c) URS shall have received a certificate, dated the Closing Date, of the President or any Vice President of the Parent to the effect that the conditions specified in paragraphs (a) and (b) of this Section 7.2 have been fulfilled.

(d) Each of Parent and Acquisition Co. shall have reaffirmed all of URS's obligations under each of the Employment Agreements listed on Schedule 4.16 hereto.

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(e) URS shall have paid, or cause to be paid, (i) the portion of the Management Bonus Amount set forth on Schedule 1.34(a) hereto to the individuals and in the amounts designated by URS in writing prior to the Effective Time and (ii) a fee of \$3,000,000 to Kelso in respect of Kelso's services in connection with the consummation of the transactions provided for hereby.

(f) URS shall have received the opinion of Sullivan & Cromwell, special counsel to Vornado, the Parent and Acquisition Co., in form and substance reasonably satisfactory to URS, as to the due authorization, execution and delivery of this Agreement by such parties.

7.3 Conditions Precedent to Obligations of the Parent and Acquisition Co. The obligations of the Parent and Acquisition Co. to effect the Merger are also subject to the fulfillment at or prior to the Effective Time of the following additional conditions:

(a) URS shall have performed in all material respects each of its obligations under this Agreement required to be performed by it on or

prior to the Effective Time pursuant to the terms hereof.

(b) The representations and warranties of URS set forth in this Agreement that are qualified by reference to a Material Adverse Effect shall be true and correct, and all other representations and warranties of URS shall be true and correct, except for failures to be true and correct as would not, individually or in the aggregate, have a Material Adverse Effect, as of the date of this Agreement and as of the Effective Time as though made as of the Effective Time (except to the extent any such representation or warranty expressly speaks as of an earlier date, in which case it shall have been true and correct in all material respects as of such date).

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(c) The Parent shall have received a certificate, dated the Closing Date, of the Chief Executive Officer of URS, to the effect that the conditions specified in paragraphs (a) and (b) of this Section 7.3 have been fulfilled.

(d) The Consulting Agreement, dated as of November 30, 1994, between URS and Rutledge & Company, Inc., the Consulting Agreement, dated as of April 6, 1993 between URS and Vero Industries, and the Consulting Agreement, dated as of April 6, 1993, between the Company and Kelso & Company, shall each have been terminated without further obligation to URS or any URS Subsidiary.

(e) The Waiver Letter, attached hereto as Exhibit 7.3(e) and pursuant to which each of Mr. Hanns Pielenz, UniFridge Holding Corporation and Refrigerated Warehouse Investments Holding Corporation has waived their "property put" rights under each of the Lease Agreements, shall continue to be in full force and effect.

(f) Vornado, the Parent and the Subsidiary shall each have received the opinion of Debevoise & Plimpton, special counsel to URS, in form and substance reasonably satisfactory to Vornado, as to the due authorization, execution and delivery of this Agreement by URS and the absence of any agreements among the shareholders of URS or with any potential purchasers of URS that conflict with the execution, delivery and performance of this Agreement.

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#### ARTICLE VIII

##### CLOSING

8.1 Time and Place. Subject to the satisfaction or waiver of all applicable conditions in Article VII, the closing of the Merger (the "Closing") shall take place at the offices of Debevoise & Plimpton, 875 Third Avenue, New York, N.Y. 10022, at 10:00 a.m., local time, on the third business day following the satisfaction of the condition set forth in Section 7.1(a) or on such other date as URS and the Parent may agree.

8.2 Filings at the Closing; Other Actions. At the Closing, the Parent and URS shall cause the Certificate of Merger to be filed and recorded in accordance with the provisions of Sections 103 and 251 of the GCL, and shall take any and all other lawful actions and do any and all other lawful things necessary to cause the Merger to become effective.

#### ARTICLE IX

##### NON-SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS

All of the representations and warranties contained in this Agreement or any representations and warranties contained in any certificate, document or instrument delivered pursuant to this Agreement shall terminate as of the Closing. The covenants set forth in Sections 3.4, 3.5, 6.6, 6.8, 6.9, 6.10, 6.13 and 6.14 herein shall survive for the respective periods set forth therein.

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#### ARTICLE X

##### TERMINATION RIGHTS

10.1 Termination. This Agreement may be terminated at any time prior to the Effective Time:

(a) by mutual consent of the Parent and URS;

(b) by either the Parent or URS if the Merger shall not have been consummated on or before January 15, 1998; provided, however, that the

right to terminate this Agreement shall not be available to any party whose failure to fulfill any obligation of this Agreement has been the cause of, or resulted in, the failure of the Merger to have occurred on or before the aforesaid date;

(c) by the Parent, if URS shall have materially breached any of its covenants herein or if URS shall have made a material misrepresentation and not cured the same within 15 days of notice of such breach or misrepresentation;

(d) by URS, if either the Parent or Acquisition Co. shall have materially breached any of its covenants herein or if either the Parent or Acquisition Co. shall have made a material misrepresentation herein and not cured the same within 15 days of notice of such breach or misrepresentation; or

(e) by either the Parent or URS, if any court of competent jurisdiction or other governmental agency of competent jurisdiction shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the Merger, and such order, decree, ruling or other action shall have become final and non-appealable.

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10.2 Procedure and Effect of Termination. In the event of termination and abandonment of the Merger by the Parent or URS pursuant to Section 10.1 hereof, notice thereof shall forthwith be given to URS or the Parent, respectively, and this Agreement shall terminate and the Merger shall be abandoned, without further action by any of the parties hereto. Vornado and Acquisition Co. each agrees that any termination by the Parent or URS, respectively, shall be conclusively binding upon it, whether given expressly on its behalf or not. If this Agreement is terminated as provided herein, no party hereto shall have any liability or further obligation to any other party to this Agreement except that any termination shall be without prejudice to the rights of any party hereto arising out of a breach by any other party of any covenant or agreement contained in this Agreement, and except that the provisions of Sections 6.6, 11.4 and 11.5 hereof shall survive such termination.

#### ARTICLE XI

##### OTHER PROVISIONS

11.1 Amendment and Modification. Subject to Applicable Law, this Agreement may be amended, modified or supplemented only by mutual written agreement of the parties hereto.

11.2 Benefit and Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, successors and assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party to this Agreement without the prior written consent of the other parties hereto. Any purported assignment made in contravention of the previous sentence shall be null and void.

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11.3 No Third-Party Beneficiaries. Nothing in this Agreement shall confer any rights upon any Person other than the parties hereto and their respective heirs, successors and permitted assigns, except for the rights set forth in Sections 3.1, 6.9, 6.10, 6.13 and 6.14 hereof.

11.4 Entire Agreement. This Agreement and the Confidentiality Agreement, dated as of July 28, 1997, between URS and Vornado and the exhibits and schedules hereto and thereto embody the entire agreement and understanding of the parties hereto and supersede any and all prior agreements, arrangements and understandings relating to the matters provided for herein and therein. No amendment, waiver of compliance with any provision or condition hereof or consent pursuant to this Agreement shall be effective unless evidenced by an instrument in writing signed by the party against whom enforcement of any amendment, waiver or consent is sought. Acquisition Co. hereby agrees that any consent or waiver of compliance given by the Parent hereunder shall be conclusively binding upon it, whether given expressly on its behalf or not. No party is making any representation or warranty whatsoever, express or implied, except the representations and warranties contained in this Agreement and each party acknowledges and agrees that it has not relied on or been induced to enter into this Agreement by any representation or warranty other than those expressly set forth herein.

11.5 Expenses. Except as otherwise provided in this Agreement, each of the Parent and Acquisition Co., on the one hand, and URS, on the other hand, shall be responsible for the payment of their respective expenses, including legal and accounting fees, in connection with the preparation, negotiation and closing of this Agreement and the transactions contemplated hereby.

11.6 Headings. The headings set forth in this Agreement are for

convenience only and will not control or affect the meaning or construction of the provisions of this Agreement.

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11.7 Choice of Law. The construction and performance of this Agreement shall be governed by the laws of the State of New York without regard to its principles of conflict of laws, except insofar as the laws of the state of Delaware are mandatorily applicable to the Merger, and the state and federal courts of New York shall have exclusive jurisdiction over any controversy or claim arising out of or relating to this Agreement.

11.8 Notices. All notices, requests, demands, letters, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered personally, (b) mailed, certified or registered mail with postage prepaid, (c) sent by next-day or overnight mail or delivery or (d) sent by fax, as follows:

(a) If to Vornado, the Parent or Acquisition Co., to it at:

Vornado Realty Trust  
Park 80 West, Plaza II  
Saddle Brook, NJ 07663  
Telecopy #: (201) 291-1093

Attention: Mr. Michael D. Fascitelli

with copies to:

Sullivan & Cromwell  
1701 Pennsylvania Avenue, N.W.  
Washington, D.C. 20006  
Telecopy #: (202) 293-6330

Attention: Janet T. Geldzahler, Esq.

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(b) If to URS, to it at:

URS Logistics, Inc.  
One Concourse Parkway  
Suite 450  
Atlanta, Georgia 30328  
Telecopy #: (770) 280-3985

Attention: Mr. Fred Beilstein

with copies to:

Kelso & Company  
320 Park Avenue  
24th Floor  
New York, NY 10022  
Telecopy #: (212) 223-2379

Attention: James J. Connors, II, Esq.

and:

Arnall Golden & Gregory, LLP  
2800 One Atlantic Center  
1201 West Peachtree Street  
Atlanta, Georgia 30355  
Telecopy #: (404) 873-8701

Attention: Jonathan Golden, Esq.

or to such other Person or address as any party shall specify by notice in writing to the party entitled to notice. All such notices, requests, demands, letters, waivers and other communications shall be deemed to have been received (w) if by personal delivery on the day after such delivery, (x) if by certified or registered mail, on the fifth Business Day after the mailing thereof, (y) if by next-day or overnight mail or delivery, on the day delivered or (z) if by fax, on the next day following the day on which

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such fax was sent, provided that a copy is also sent by certified or registered mail.

11.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same instrument.

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

VORNADO REALTY TRUST

By: /s/ Michael D. Fascitelli

\_\_\_\_\_  
Name:  
Title:

ATLANTA PARENT, INC.

By: /s/ Michael D. Fascitelli

\_\_\_\_\_  
Name:  
Title:

ATLANTA STORAGE ACQUISITION CO.

By: /s/ Michael D. Fascitelli

\_\_\_\_\_  
Name:  
Title:

URS LOGISTICS, INC.

By: /s/ Daniel F. McNamara

\_\_\_\_\_  
Name: Daniel F. McNamara  
Title: President and  
Chief Executive Officer

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## Section 11: EX-99.5 (AGREEMENT AND PLAN OF MERGER)

EXHIBIT 99.5

AGREEMENT AND PLAN OF MERGER

AMONG

VORNADO REALTY TRUST,

PORTLAND PARENT, INC.

PORTLAND STORAGE ACQUISITION CO.,

AND

AMERICOLD CORPORATION

Dated as of September 26, 1997

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of September 26, 1997 (the "Agreement"), among VORNADO REALTY TRUST, a Maryland real estate investment trust ("Vornado"), PORTLAND PARENT, INC., a Delaware corporation (the "Parent"), PORTLAND STORAGE ACQUISITION CO., a Delaware corporation and a wholly-owned subsidiary of the Parent ("Acquisition Co."), and AMERICOLD CORPORATION, an Oregon corporation ("Americold").

ARTICLE I

DEFINITIONS

Unless otherwise stated, the following terms when used herein have the meanings assigned to them below.

1.1 "Acquisition Co." has the meaning set forth in the preamble to this Agreement.

1.2 "Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified.

1.3 "Americold" has the meaning set forth in the preamble to this Agreement.

1.4 "Americold Common Stock" means the common stock, par value \$.01 per share, of Americold.

1.5 "Americold Indebtedness" means the indebtedness of Americold under the agreements and instruments listed in Schedule 1.5 hereto.

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1.6 "Americold Preferred Stock" means the Series A Variable Rate Cumulative Preferred Stock, par value \$100 per share, of Americold.

1.7 "Americold Principal Shareholder" means each of the Persons set forth on Exhibit A to this Agreement.

1.8 "Americold Representatives" has the meaning set forth in Section 6.5 hereof.

1.9 "Americold Shareholders' Meeting" has the meaning set forth in Section 2.5 hereof.

1.10 "Americold Subsidiary" means any corporation, partnership, limited liability company, joint venture or other entity of which Americold owns, directly or indirectly, at least a majority of the securities or other ownership interests having by the terms thereof ordinary voting power or otherwise has the right or power to elect a majority of the board of directors or other Persons performing similar functions of such corporation, partnership, limited liability company, joint venture or other entity.

1.11 "Applicable Law" means all applicable provisions of all (i) constitutions, treaties, statutes, laws (including, but not limited to, the common law), rules, regulations, ordinances, codes or orders of any Governmental Authority and (ii) orders, decisions, rulings, injunctions, judgments, awards and decrees or consents of or agreements with any Governmental Authority.

1.12 "Articles of Merger" has the meaning set forth in Section 2.6 hereof.

1.13 "Board" has the meaning set forth in Section 4.2(b) hereof.

1.14 "Business Day," whether or not initially capitalized, means every day of the week excluding Saturdays, Sundays and federal holidays.

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1.15 "Certificates" has the meaning set forth in Section 3.5(a) hereof.

1.16 "Closing" means the closing of the Merger.

1.17 "Closing Date" means the date on which the Closing occurs.

1.18 "Code" means the Internal Revenue Code of 1986, as amended, together with all regulations and rulings issued thereunder by any Governmental Authority.

1.19 "Common Stock Consideration" means \$20.70.

1.20 "Contracts" has the meaning set forth in Section 4.14 hereof.

1.21 "DGCL" means the Delaware General Corporation Law.

1.22 "Dissenting Shares" has the meaning set forth in Section 3.3 hereof.

1.23 "Effective Time" has the meaning set forth in Section 2.6 hereof.

1.24 "Environmental Laws" means all Applicable Laws relating to the protection of human health or the environment.

1.25 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, together with the regulations and rulings issued thereunder by any Governmental Authority.

1.26 "Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

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1.27 "Exercise Price" means, with respect to any Option, the price at which the holder of such Option is entitled to purchase one share of Americold Common Stock upon exercise of such Option.

1.28 "Filings" has the meaning set forth in Section 6.3(b) hereof.

1.29 "Financial Statements" has the meaning set forth in Section 4.5 hereof.

1.30 "GAAP" means United States generally accepted accounting principles.

1.31 "Governmental Approvals" has the meaning set forth in Section 4.7 hereof.

1.32 "Governmental Authority" means any nation or government, any state or other political subdivision thereof or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, in each case to the extent the same has jurisdiction over the Person or property in question.

1.33 "HSRA" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations adopted thereunder.

1.34 "Information Statement" has the meaning set forth in Section 2.5 hereof.

1.35 "IRS" means the Internal Revenue Service of the United States.

1.36 "Kelso" means Kelso & Company.

1.37 "Kelso Fee" has the meaning set forth in Section 7.2(f).

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1.38 "Knowledge" means, with respect to Americold or any Americold Subsidiary, the actual knowledge of any of the individuals set forth on Schedule 1.38 hereto.

1.39 "Leased Property" has the meaning set forth in Section 4.10 hereof.

1.40 "Liens" means all debts, liens, security interests, mortgages, pledges, judgments, trusts, adverse claims, liabilities, encumbrances, material rights of way, charges which are liens and other impairments of title of any kind other than Permitted Liens.

1.41 "Material Adverse Effect" means a material adverse effect on the business, assets, properties, liabilities or financial condition of Americold and the Americold Subsidiaries, taken as a whole, or on the ability of Americold timely to consummate the transactions contemplated hereby.

1.42 "Merger" has the meaning set forth in Section 2.1 hereof.

1.43 "Merger Consideration" means the sum of the aggregate Common Stock Consideration and the aggregate Preferred Stock Consideration.

1.44 "Merger Filings" has the meaning set forth in Section 2.6 hereof.

1.45 "Notice" has the meaning set forth in Section 6.3(a) hereof.

1.46 "OBCA" means the Oregon Business Corporation Act.

1.47 "Option Consideration" has the meaning set forth in Section 3.2 hereof.

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1.48 "Options" means the outstanding options to purchase Americold Common Stock issued prior to the date hereof pursuant to the option plans listed on Schedule 1.48 hereto.

1.49 "Owned Property" has the meaning set forth in Section 4.10 hereof.

1.50 "O.R.S." means the Oregon Revised Statutes, as amended.

1.51 "Parent" has the meaning set forth in the preamble to this Agreement.

1.52 "Permitted Liens" has the meaning set forth in Section 4.10 hereof.

1.53 "Person" means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including any Governmental Authority or any other government or political subdivision or an agency or instrumentality thereof.

1.54 "Plans" has the meaning set forth in Section 4.16 hereof.

1.55 "Preferred Stock Consideration" means \$100.00, plus the amount per share of all accrued and unpaid dividends on the Preferred Stock to the Closing Date.

1.56 "Real Property" has the meaning set forth in Section 4.10 hereof.

1.57 "Real Estate Laws" means any applicable building, zoning, subdivision and other land use and similar laws, codes, ordinances, rules, regulations and orders of Governmental Authorities.

1.58 "Returns" has the meaning set forth in Section 4.21 hereof.

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

1.60 "SEC Reports" has the meaning set forth in Section 4.5(b) hereof.

1.61 "Surviving Corporation" has the meaning set forth in Section 2.1 hereof.

1.62 "Surviving Corporation Common Stock" has the meaning set forth in Section 3.4 hereof.

1.63 "Tax" has the meaning set forth in Section 4.21 hereof.

1.64 "Takeover Statute" has the meaning set forth in Section 4.2(d) hereof.

1.65 "Transfer Taxes" means all sales (including, without limitation, bulk sales), use, value added, documentary, stamp, gross receipts, registration, transfer, conveyance, excise, recording, license and other similar Taxes and fees imposed by any Governmental Authority in connection with a merger.

1.66 "Vornado" has the meaning set forth in the preamble of this Agreement.

ARTICLE II

THE MERGER

2.1 The Merger. In accordance with the provisions of this Agreement and the OBCA and the DGCL, at the Effective Time (i) Acquisition Co. shall be merged with and into Americold (the "Merger"), and Americold shall be the surviving corporation of the Merger (hereinafter sometimes called the "Surviving Corporation") and shall continue its corporate existence under the laws of the State of Oregon;

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(ii) the name, identity, existence, rights, privileges, powers, franchises, properties and assets of Americold shall continue unaffected and unimpaired; and (iii) the separate existence of Acquisition Co. shall cease, and all of the rights, privileges, powers, franchises, properties and assets of Acquisition Co. shall be vested in Americold. The name of the surviving corporation shall be "Americold Corporation."

2.2 Articles of Incorporation. The Articles of Incorporation of Americold in effect immediately prior to the Effective Time shall be the Articles of Incorporation of the Surviving Corporation until thereafter amended as provided therein or by law, except that Article III thereof shall be amended and restated in its entirety as follows:

"The aggregate number of shares which the Corporation shall have authority to issue is 1,000 shares of Common Stock, par value \$.01 per share."

2.3 By-Laws. The By-Laws of Americold in effect immediately prior to the Effective Time shall be the By-Laws of the Surviving Corporation until thereafter amended, altered or repealed as provided therein.

2.4 Directors and Officers. The directors of Acquisition Co. immediately prior to the Effective Time shall be the directors of the Surviving Corporation, each to hold office in accordance with the Articles of Incorporation and By-Laws of the Surviving Corporation until his or her successor is appointed and qualified or until his or her earlier death, resignation or removal. The individuals set forth on Schedule 2.4 shall be the officers of the Surviving Corporation, each to hold office in accordance with the Articles of Incorporation and By-Laws of the Surviving Corporation until his or her successor is appointed and

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qualified or until his or her earlier death, resignation or removal.

2.5 Shareholders' Meeting. Americold shall, as soon as practicable following the date of this Agreement, duly call, convene and hold a meeting of its shareholders (the "Americold Shareholders' Meeting") for the purpose of obtaining the approval of this Agreement by the shareholders of Americold entitled to vote thereon.

2.6 Effective Time. The Merger shall become effective upon the later to occur of the filing of articles of merger with the Secretary of State of the State of Oregon in accordance with O.R.S. 60.494 and 60.501 (the "Articles of Merger") and the filing with the Secretary of State of the State of Delaware of a certificate of merger in accordance with Sections 252 and 103 of the DGCL (together with the Articles of Merger, the "Merger Filings"). The Merger Filings shall be filed simultaneously with the Closing. The date and time when the Merger shall become effective is hereinafter referred to as the "Effective Time."

### ARTICLE III

#### CONVERSION OF SHARES

3.1 Americold Stock. (a) At the Effective Time, by virtue of the Merger and without any action on the part of the holder thereof, each share of Americold Common Stock (except for (i) any shares of Americold Common Stock then owned beneficially or of record by Vornado, the Parent or Acquisition Co. or any other subsidiary of Vornado, (ii) shares of Americold Common Stock then held in the treasury of Americold or any Americold Subsidiary, and (iii) Dissenting Shares) issued and outstanding immediately prior to the Effective Time shall be converted into the right to receive cash from the Parent in an amount per share equal to the Common Stock Consideration.

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(b) At the Effective Time, by virtue of the Merger and without any action on the part of the holder thereof, each share of Americold Preferred Stock (except for (i) any shares of Americold Preferred Stock then owned beneficially or of record by Vornado, the Parent or Acquisition Co. or any other subsidiary of Vornado and (ii) shares of Americold Preferred Stock then

held in the treasury of Americold or any Americold Subsidiary) issued and outstanding immediately prior to the Effective Time shall be converted into the right to receive cash from the Parent in an amount per share equal to the Preferred Stock Consideration.

(c) Each share of Americold Common Stock or Americold Preferred Stock which is then owned beneficially or of record by Vornado, the Parent or Acquisition Co. or any other direct or indirect subsidiary of Vornado shall, by virtue of the Merger and without any action on the part of the holder thereof, be canceled and retired and cease to exist, without any conversion thereof.

(d) Each share of Americold Common Stock or Americold Preferred Stock held in the treasury of Americold or any Americold Subsidiary immediately prior to the Effective Time shall, by virtue of the Merger, be canceled and retired and cease to exist, without any conversion thereof.

(e) The holders of certificates representing shares of Americold Common Stock or Americold Preferred Stock shall, as of the Effective Time, cease to have any rights as shareholders of Americold, except such rights, if any, as they may have pursuant to the OBCA, and, except as aforesaid, their sole right shall be the right to receive their pro rata share of the Common Stock Consideration or the Preferred Stock Consideration, as the case may be, as determined and paid in the manner set forth in this Agreement.

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3.2 Options. Prior to the Effective Time, Americold shall take such actions as may be necessary such that immediately prior to the Effective Time, each Option outstanding immediately prior to the Effective Time, whether or not then exercisable, shall be canceled and only entitle the holder thereof to receive, as soon as reasonably practicable after the surrender thereof, cash in an amount (the "Option Consideration") equal to the product of (i) the number of shares of Americold Common Stock into which such Option is exercisable times (ii) the excess of the Common Stock Consideration over the Exercise Price for such Option.

3.3 Dissenting Shares. Notwithstanding anything in this Agreement to the contrary, shares of Americold Common Stock which are held by shareholders who shall have effectively dissented from the Merger and perfected their dissenters' rights in accordance with the provisions of O.R.S. 60.564 and 60.571 (the "Dissenting Shares") shall not be converted into or be exchangeable for the right to receive any Common Stock Consideration, but the holders thereof shall be entitled to payment from the Surviving Corporation of the fair value of such shares in accordance with the provisions of O.R.S. 60.577; provided, however, that if any such holder shall have failed to perfect such appraisal rights or shall have effectively withdrawn or lost such rights, pursuant to O.R.S. 60.687 or otherwise, his or her shares of Americold Common Stock shall thereupon be converted into and exchangeable for, at the Effective Time, their pro rata share of the aggregate Common Stock Consideration as determined and paid in the manner set forth in this Agreement.

3.4 Acquisition Co. Common Stock. Each share of common stock, par value \$.01 per share, of Acquisition Co. (the "Acquisition Co. Common Stock"), issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and exchangeable for one fully paid and non-assessable share of common stock, par value \$.01 per share, of the Surviving Corporation ("Surviving

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Corporation Common Stock"). From and after the Effective Time, each outstanding certificate theretofore representing shares of Acquisition Co. Common Stock shall be deemed for all purposes to evidence ownership of and to represent the number of shares of Surviving Corporation Common Stock into which such shares of Acquisition Co. Common Stock shall have been converted. Promptly after the Effective Time, the Surviving Corporation shall issue to the Parent a stock certificate or certificates representing 1,000 shares of Surviving Corporation Common Stock in exchange for the certificate or certificates which formerly represented shares of Acquisition Co. Common Stock, which shall be canceled.

3.5 Payment for Shares. (a) Prior to the Effective Time, the Parent shall designate a business entity regularly engaged in such work and which is reasonably satisfactory to Americold to act as Paying Agent with respect to the Merger (the "Paying Agent"). Each record holder (other than Vornado, Parent, Acquisition Co. or any other subsidiary of Vornado) of Americold Common Stock or Americold Preferred Stock immediately prior to the Effective Time will be entitled to receive, upon surrender to the Paying Agent of the certificates representing such shares of Americold Common Stock or Americold Preferred Stock, as the case may be (collectively, the "Certificates") for cancellation, cash in an amount equal to the product of the number of shares of Americold Common Stock or Americold Preferred Stock previously represented by the Certificates multiplied by the Common Stock Consideration or Preferred Stock Consideration, as the case may be, subject to any required withholding of taxes. At or prior to the Effective Time, the Parent shall make available to the Paying Agent sufficient funds to make all payments in amounts determined pursuant to the preceding sentence. No interest shall accrue or be paid on the cash payable upon

the surrender of the Certificates. Any funds delivered or made available to the Paying Agent pursuant to this Section 3.5(a) and not exchanged for Certificates within six months after the Effective Time will be returned by the Paying Agent to the

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Surviving Corporation, which thereafter will act as Paying Agent, subject to the rights of holders of unsurrendered Certificates under this Section 3.5(a), and any former shareholders of the Company who have not previously exchanged their Certificates will thereafter be entitled to look only to the Surviving Corporation for payment of their claim for the consideration set forth in Section 3.1, without any interest, but will have no greater rights against the Surviving Corporation than may be accorded to general creditors thereof under applicable law. Notwithstanding the foregoing, neither the Paying Agent nor any party hereto shall be liable to a holder of shares of Americold Common Stock or Americold Preferred Stock for any cash or interest delivered to a public official pursuant to applicable abandoned property, escheat or similar laws. As soon as practicable after the Effective Time, the Surviving Corporation will cause the Paying Agent to mail to each record holder of shares of Americold Common Stock and Americold Preferred Stock (other than the Americold Principal Shareholders) (i) a form of letter of transmittal (which will specify that delivery will be effected, and risk of loss and title to the Certificates will pass, only upon proper delivery of the Certificates to the Paying Agent), which letter shall be in customary form, and (ii) instructions for use in effecting the surrender of the Certificates for payment.

(b) With respect to any Certificate alleged to have been lost, stolen or destroyed, the owner or owners of such Certificate shall be entitled to the consideration set forth above upon delivery to the Surviving Corporation of an affidavit of such owner or owners setting forth such allegation and an indemnity agreement to indemnify Vornado, the Parent and the Surviving Corporation, on terms reasonably satisfactory to Vornado, against any claim that may be made against any of them on account of the alleged loss, theft or destruction of any such Certificate or the delivery of the payment set forth above.

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(c) Notwithstanding Section 3.5(a), immediately following the Effective Time, each Americold Principal Shareholder, upon surrender of the Certificate or Certificates representing all of the shares of Americold Common Stock and Americold Preferred Stock owned by such Americold Principal Shareholder together with the related letter of transmittal, shall be entitled to receive, in immediately available funds, the amount of cash into which the aggregate number of shares of Americold Common Stock and Americold Preferred Stock represented by such Certificate or Certificates surrendered shall have been converted pursuant to this Agreement.

(d) If consideration is to be delivered to a Person other than the Person in whose name the Certificate surrendered in exchange therefor is registered, it shall be a condition to delivery of the consideration that the Certificate so surrendered shall be properly endorsed or otherwise in proper form for transfer and that the Person requesting such consideration shall pay any transfer or other Taxes required by reason of the payment to a Person other than the registered holder of the Certificate surrendered or establish to the satisfaction of the Surviving Corporation that such Tax has been paid or is not applicable.

(e) Until surrendered in accordance with the provisions of this Section 3.5, from and after the Effective Time, each Certificate (other than (i) Certificates representing shares of Americold Common Stock or Americold Preferred Stock owned beneficially or of record by Vornado, the Parent, Acquisition Co. or any other subsidiary of Vornado, (ii) Certificates representing shares of Americold Common Stock or Americold Preferred Stock held in the treasury of Americold or any Americold Subsidiary and (iii) Dissenting Shares in respect of which appraisal rights are perfected) shall represent for all purposes the right to receive the cash pursuant to Section 3.1(a) or (b), as applicable, as determined and paid in the manner set forth in this Agreement.

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(f) After the Effective Time there shall be no transfers on the stock transfer books of the Surviving Corporation of the shares of Americold Common Stock, shares of Americold Preferred Stock or Options that were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation, they shall be canceled and exchanged for the applicable consideration referred to in this Section 3.5.

3.6 Adjustment to Prevent Dilution. In the event that Americold changes the number of shares of Americold Common Stock or Americold Preferred Stock or securities convertible or exchangeable into or exercisable for shares of Americold Common Stock or Americold Preferred Stock issued and outstanding prior to the Effective Time as a result of a reclassification, stock split

(including a reverse split), stock dividend or distribution, recapitalization, merger, subdivision, issuer tender or exchange offer, or other similar transaction, the Common Stock Consideration and Preferred Stock Consideration shall be equitably adjusted.

#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES OF AMERICOLD

Americold hereby represents and warrants to the Parent and Acquisition Co. as follows:

4.1 Organization, etc. (a) Americold is a corporation duly organized and validly existing under the laws of the State of Oregon and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Americold is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified or licensed

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would not individually or in the aggregate have a Material Adverse Effect or materially restrict the ability of Americold to conduct business as presently conducted by it in such jurisdiction. Each jurisdiction where Americold is so qualified is listed on Schedule 4.1(a) hereto. Except as set forth on Schedule 4.1(b) hereto, there are no Americold Subsidiaries and, except as set forth on Schedule 4.1(b) hereto, Americold does not own, directly or indirectly, any capital stock of or equity interests in any Person. Americold has heretofore delivered or made available to the Parent accurate and complete copies of the Articles of Incorporation and By-Laws of Americold, as amended and in effect on the date hereof. The stock certificate books and ledgers of Americold, which have been made available to the Parent, accurately reflect, at the date hereof, the ownership of the issued and outstanding capital stock of Americold.

(b) Each Americold Subsidiary is listed on Schedule 4.1(b) hereto, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to own, lease and operate its properties and to carry out its business as now being conducted. Each Americold Subsidiary is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified or licensed would not individually or in the aggregate have a Material Adverse Effect or materially restrict the ability of such Americold Subsidiary to conduct business as presently conducted by it in such jurisdiction. Each jurisdiction where each Americold Subsidiary is so qualified is listed on Schedule 4.1(b) hereto. Americold has heretofore delivered to the Parent accurate and complete copies of the Articles of Incorporation and By-Laws or other organizational documents of each Americold Subsidiary, as amended and in effect on the date hereof.

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(c) Except as set forth on Schedule 4.1(c) hereto, Americold owns of record and beneficially 100% of the issued and outstanding capital stock and all other equity interests in each Americold Subsidiary, free and clear of any Liens.

4.2 Authorization and Binding Obligation. (a) Americold has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. Subject to the approvals referred to in Section 2.5, Americold's execution, delivery and performance of this Agreement has been duly and validly authorized by all necessary corporate action on the part of Americold and this Agreement has been duly executed and delivered by Americold. Except for the actions referred to in Sections 2.5, 4.2(b) and 4.2(d) hereof, which actions are in full force and effect, and the giving of notice in accordance with O.R.S. 60.214, 60.561 and 60.567, no other corporate action or proceedings on the part of Americold are necessary to authorize this Agreement or the consummation of the transactions contemplated hereby. Subject to the approvals referred to in Section 2.5, this Agreement constitutes the valid and binding obligation of Americold, enforceable against Americold in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar rights of creditors generally and by general principles of equity.

(b) The Board of Directors of Americold (the "Board") has authorized the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and has not withdrawn such authorization. A true and complete copy of such approvals by the Board has been delivered to the Parent. The Board of Directors of Americold has received the opinion of its financial advisors, Houlihan, Lokey, Howard & Zukin, to the effect that the consideration to be paid by Parent to the holders of the shares of Americold Common Stock and Americold Preferred Stock in the Merger is fair to such holders

(c) Subsequent to the giving of the authorization referred to in the preceding paragraph, each Americold Principal Shareholder has executed and delivered to the Parent an irrevocable proxy authorizing the Parent to vote, at the Americold Shareholders' Meeting, the shares of Americold Common Stock set forth opposite such Americold Principal Shareholder's name on Exhibit A hereto, which shares represent all shares of Americold Common Stock owned beneficially or of record by such Americold Principal Shareholder, in favor of adopting this Agreement. Each Americold Principal Shareholder acknowledges, and the proxy recites, that such proxy is coupled with an interest.

(d) The Board has taken all appropriate action so that the entry into this Agreement, the granting of the proxies provided for under Section 4.2(c) hereof and the consummation of the transactions contemplated by this Agreement shall be exempted from the provisions of O.R.S. 60.801-60.816 and 60.825. No other "fair price," "moratorium," "control share acquisition" or other similar anti-takeover statute or regulation, including, without limitation, O.R.S. 60.801-60.816 and 60.825 (each, a "Takeover Statute") or any applicable anti-takeover provision in the Articles of Incorporation and By-laws of Americold is, or at the Effective Time will be, applicable to Americold, the shares of Americold Common Stock and Americold Preferred Stock, the Merger or the other transactions contemplated by this Agreement.

4.3 Capitalization. (a) The authorized Americold Common Stock and other authorized capital stock of Americold and each of the Americold Subsidiaries is as set forth on Schedule 4.3 hereto. All issued and outstanding shares of Americold Common Stock and other equity interests of Americold and each of the Americold Subsidiaries are duly authorized, validly issued, fully paid, non-assessable and free of preemptive rights. Schedule 4.3 hereto sets forth the name of each Person who owns beneficially or of record any shares of capital stock and other equity interests of

any Americold Subsidiary and, in the case of each Americold Subsidiary, the number of shares owned by each such Person.

(b) Except as set forth on Schedule 4.3 hereto, there are not now, and at the Effective Time there will not be, any options, warrants, calls, subscriptions, or other rights or other agreements or commitments of any nature whatsoever obligating Americold or any of the Americold Subsidiaries to issue, transfer, deliver or sell, or cause to be issued, transferred, delivered or sold, any additional shares of Americold Common Stock or other equity interest of Americold or any of the Americold Subsidiaries, or any securities or obligations convertible into or exchangeable for any such Americold Common Stock or other equity interests, or obligating Americold or any of the Americold Subsidiaries to grant, extend or enter into any such agreement or commitment and no authorization therefor has been given or made by Americold or any Americold Subsidiary. Except for the arrangements described in Schedule 4.3 hereto, there are no contractual arrangements that obligate Americold or any Americold Subsidiary to (i) repurchase, redeem or otherwise acquire any of its capital stock or its other equity interests or (ii) pay any Person any consideration that is calculated with reference to the consideration to be paid to the Americold Shareholders under this Agreement.

4.4 Consents and Approvals; No Conflicts. Except for applicable requirements of the HSRA and as set forth on Schedule 4.4 hereto and the approvals referred to in Sections 2.5 and 4.2(b) hereof, the giving of notice in accordance with O.R.S. 60.214 and the filing and recordation of the Merger Filings as required by the OBCA and the DGCL, no filing with, and no permit, authorization, consent or approval of, any Governmental Authority or other third party is necessary for the consummation by Americold of the transactions contemplated by this Agreement, except where the failure to make such filing or obtain such authorization, consent or approval would not individually or in the aggregate have a Material Adverse Effect. Subject to

obtaining such approvals and making such filings, neither the execution and delivery of this Agreement by Americold nor the consummation by Americold of the transactions contemplated hereby, nor compliance by Americold with any of the provisions hereof, will (i) result in any violation of any provision of the Articles of Incorporation or By-Laws or other organizational documents of Americold or any Americold Subsidiary, (ii) violate any Applicable Law or (iii) except as set forth on Schedule 4.4 hereto, result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default or give rise to a right of any Person to terminate, cancel or accelerate the payment or performance of any liability, obligation or commitment under any contract (including any Contract listed in Schedule 4.13 hereto) to which Americold or any of the Americold Subsidiaries is a party, or by which any of their respective properties are bound, except, in the case of clauses (ii) and (iii) above, where such violation, breach, default or right of termination,

cancellation or acceleration would not individually or in the aggregate have a Material Adverse Effect.

4.5 Financial Statements; SEC Reports. (a) Americold has furnished the Parent with (i) a consolidated balance sheet of Americold as at February 28, 1997 and consolidated statements of operations, changes in shareholders' equity (deficit) and cash flows of Americold for such year, together with the related audit report of KPMG Peat Marwick LLP and (ii) an unaudited consolidated balance sheet of Americold as of August 31, 1997 and an unaudited consolidated statement of operations of Americold for the six-month period ended August 31, 1997. All such financial statements are referred to herein collectively as the "Financial Statements." Other than as set forth in Schedule 4.5 hereto, the Financial Statements (including any related schedules and/or notes) have been prepared in accordance with GAAP consistently applied throughout the periods presented, except that the unaudited financial statements are subject to year-end adjustments and do not contain footnotes. The balance sheets included in the

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Financial Statements fairly present, in all material respects, the financial position of Americold and the Americold Subsidiaries as at the dates thereof, and the statements of operations, changes in shareholders' equity (deficit) and cash flows included in the Financial Statements fairly present, in all material respects, the results of the operations, changes in shareholders' equity (deficit) and cash flows, respectively, of Americold and the Americold Subsidiaries for the periods indicated.

(b) The Company has filed all forms, reports, statements and schedules with the SEC required to be filed pursuant to the Exchange Act, and the regulations of the SEC thereunder, since January 1, 1996. As of their respective dates, all reports (including the financial statements included or incorporated therein) filed by Americold with the SEC (collectively, the "SEC Reports") complied in all material respects with all applicable requirements of the Exchange Act and the regulations of the SEC thereunder applicable to such SEC Reports, and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

4.6 Undisclosed Liabilities. Except (i) to the extent reflected or reserved against in the August 31, 1997 balance sheet of Americold included in the Financial Statements, (ii) to the extent specifically set forth on Schedule 4.6 hereto, and/or (iii) for obligations of Americold arising in the ordinary course of the performance of its responsibilities under any Contracts (as defined in Section 4.14 hereof) listed on Schedule 4.14 or any agreement which is not required to be listed on Schedule 4.14 because of the limitations set forth in Section 4.14, neither Americold nor any Americold Subsidiary has any liabilities or obligations of any nature, whether liquidated, unliquidated, accrued, absolute, contingent or otherwise which would individually or in the aggregate have a Material Adverse Effect.

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4.7 Governmental Approvals and Authorizations. Except as set forth in Schedule 4.7 hereto, all approvals, permits, qualifications, authorizations, licenses, franchises, consents, orders, registrations or other approvals (collectively, the "Governmental Approvals") of all Governmental Authorities which are necessary in order to permit Americold and the Americold Subsidiaries to carry on their respective businesses have been obtained and are in full force and effect, except where the failure to obtain such approval, permit, qualification, authorization, license, franchise, consent, order, registration or other approval, or the failure to be in full force and effect, would not individually or in the aggregate have a Material Adverse Effect. There has been no violation, cancellation, suspension or revocation of any such Governmental Approval. This Section 4.7 does not relate to environmental matters, which are the subject of Section 4.22.

4.8 Compliance with Laws. Except as set forth on Schedule 4.8 hereto, neither Americold nor any Americold Subsidiary is in conflict with or in violation or breach of or default under (a) any Applicable Law or (b) any provision of its organizational documents, and since February 28, 1997, neither Americold nor any Americold Subsidiary has received any written notice alleging any such conflict, violation, breach or default, except for any such violations, breaches or defaults which would not individually or in the aggregate have a Material Adverse Effect. This Section 4.8 does not relate to environmental matters, which are the subject of Section 4.22.

4.9 Absence of Certain Payments. Neither Americold, any Americold Subsidiary, or any director, officer, employee or agent of, or consultant or other representative of, Americold or any Americold Subsidiary, or any other Person authorized to act on behalf thereof, has unlawfully offered, paid or agreed to pay, directly or indirectly, any money or anything of value to or for the benefit of any individual who is or was an official or employee or candidate for office of any Governmental Author-

ity, or any employee or agent of any customer or supplier of Americold or any Americold Subsidiary, except for any such offer, payment or agreement to pay which would not individually or in the aggregate have a Material Adverse Effect and would not reasonably be expected to subject Americold or any Americold Subsidiary to any damage or penalty in any civil, criminal or governmental litigation or proceeding.

4.10 Real Property. Schedule 4.10 hereto sets forth a complete list of (i) all real property and all interests in real property owned in fee by Americold or the Americold Subsidiaries (individually, an "Owned Property") and (ii) all real property and all interests in real property leased by Americold or the Americold Subsidiaries (individually, a "Leased Property"; together with the Owned Property, the "Real Property"). Except as set forth on Schedule 4.10 hereto, Americold and the Americold Subsidiaries have (i) good, marketable and insurable fee title to all Owned Property, and (ii) good and valid leasehold interests in all Leased Property, and in the case of all of the Owned Properties and those leasehold estates covered by the title insurance policies and update letters or endorsements (as the case may be) set forth on Schedule 4.10 hereto, such title is free and clear of any Liens, except (a) those created or permitted under the Americold Indebtedness, (b) as disclosed in those certain owner's title insurance policies and update letters or endorsements, as the case may be, set forth on Schedule 4.10 hereto, and (c) other easements, rights of way and minor and immaterial liens, charges or encumbrances that do not interfere with the use of the Real Property in the normal conduct of the business of Americold and the Americold Subsidiaries and that do not materially impair the value of the Real Property (collectively, the "Permitted Liens"). Complete and correct copies of each deed or lease relating to the Real Property described on Schedule 4.10 hereto have been furnished or made available to the Parent. The current use and operation of the Real Property does not violate in any material respect any instrument of record affecting the Real Property.

Except as disclosed on Schedule 4.10 hereto, since February 28, 1997, no damage or destruction has occurred and, to the Knowledge of Americold, no condemnation or rezoning proceeding has been threatened or commenced with respect to any of the Real Property that would individually or in the aggregate materially impair the continued use or operation of the Owned Property or the Leased Property. To the Knowledge of Americold, the Owned Property is in compliance with all Real Estate Laws, and neither Americold nor any Americold Subsidiary has any Knowledge of any written notice of violation or claimed violation of any Real Estate Law, in either case except where such violation or lack of compliance would not individually or in the aggregate materially restrict the ability of Americold or any Americold Subsidiary to conduct its business as presently conducted by it at any location. Except as disclosed on Schedule 4.10 hereto, neither Americold nor any Americold Subsidiary is obligated under or a party to any option, right of first refusal or other contractual right to purchase, acquire, sell or dispose of any Real Property. Neither Americold nor any Americold Subsidiary is a lessor, sublessor or grantor under any lease, sublease or other instrument granting to another Person any right to the possession, lease, occupancy or enjoyment of the Real Property, other than pursuant to any agreements listed on Schedule 4.14 hereto. This Section 4.10 does not relate to environmental matters, which are the subject of Section 4.22.

4.11 Property. Schedule 4.11 hereto sets forth a complete list as of August 31, 1997 of each item of property, plant and equipment owned or leased by Americold or any Americold Subsidiary. Except as set forth on Schedule 4.11 hereto, Americold and each of the Americold Subsidiaries has good and valid title to all tangible personal property and assets which it owns, including the material tangible personal property reflected in the balance sheets included in the Financial Statements as being owned by Americold or such Americold Subsidiary, as the case may be, except for such tangible personal property and assets

disposed of in the ordinary course of business, consistent with past practice, since August 31, 1997 having a value not in excess of \$250,000. Americold and each of the Americold Subsidiaries has a valid legal right to use all assets which it does not own but uses in the conduct of its business, except where the failure to have such valid legal right would not individually or in the aggregate have a Material Adverse Effect.

4.12 Intellectual Property. (a) Americold and each Americold Subsidiary possesses all patents, trademarks, service marks, trade names, copyrights and licenses that are necessary for the use or ownership of its respective properties and assets, and the maintenance and operation of its respective businesses as currently conducted. Neither Americold nor any Americold Subsidiary uses any registered trademarks, trade names, copyrights or patents (or have applications therefor pending) in connection with their respective businesses, except for those set forth on Schedule 4.12 hereto (collectively referred to as the "Intellectual Property"). Except as set forth on Schedule 4.12 hereto, the Intellectual Property is owned by Americold or a

Americold Subsidiary, as indicated on Schedule 4.12 hereto, and is not subject to any license, royalty arrangement or dispute. To the Knowledge of Americold, except as set forth on Schedule 4.12 hereto, no registered trademark or trade name used by Americold or any Americold Subsidiary infringes on any trademark or trade name in any state or country in which such trademark or trade name is used by Americold or such Americold Subsidiary. Neither Americold nor any Americold Subsidiary has received written notification of infringement of any patent, copyright, trademark or trade name, or any application therefor, from any Person.

(b) Americold and each Americold Subsidiary possesses the right to use all of its logistics and RF software and related data bases for the conduct of its respective operations as currently conducted. To the Knowledge of Americold, no other Person has any material interest in any such software or data bases (other than any

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licensor thereof which is not an officer, director or Affiliate of Americold, any Americold Subsidiary or any Americold Principal Shareholder).

4.13 Absence of Conflicts of Interest. Except as set forth on Schedule 4.13 hereto, none of the Americold Principal Shareholders nor any officer, director or Affiliate of Americold or any Americold Subsidiary has any material interest in any material contract or material property (real or personal), tangible or intangible, used in the business of Americold or any Americold Subsidiary.

4.14 Contracts. Schedule 4.14 hereto lists (or describes in the case of oral contracts) each contract, note, debt instrument, lease, sublease, warehouse services agreement, covenant not to compete, supply agreement, guarantee, licensing agreement, partnership agreement, joint venture agreement, employment agreement (other than employment agreements set forth on Schedule 4.16 hereto), collective bargaining agreement or other agreement or commitment of any kind, whether written or oral, to which Americold or any Americold Subsidiary is a party (other than agreements set forth on Schedule 4.16 hereto) or by which either of them is bound (each, a "Contract"), provided that such Schedule need not list (i) any written or oral Contract or related written Contracts under which the aggregate payments required to be made by or to Americold or any Americold Subsidiary over the life of the Contract or Contracts are less than \$300,000, (ii) any rate quote or (iii) any warehouse receipt. Complete copies of every written Contract listed on Schedule 4.14 hereto have been previously made available to the Parent. Each of Americold and the Americold Subsidiaries has performed all material obligations required to be performed by it to date under the Contracts (and every employment contract listed on Schedule 4.16 hereto), and neither Americold nor any Americold Subsidiary has received written (or, to the Knowledge of Americold, oral) notice that it is in material default in the performance of any of its obligations under any Contract.

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4.15 Labor Matters. Except as described on Schedule 4.15 hereto, since February 28, 1997 there have been no work stoppages or labor difficulties relating to employees of Americold or the Americold Subsidiaries. There are no labor disputes currently subject to any unfair labor practice complaint, grievance procedure, arbitration or litigation, nor is there any default or any event which, with notice or the passage of time or both, would become a default, under any agreement with any labor union or association representing employees of Americold or any Americold Subsidiary, except for any such dispute, procedure, arbitration, litigation or default which would not individually or in the aggregate have a Material Adverse Effect. Except as described on Schedule 4.15 hereto, there are no strikes, picketing, work stoppages or representation petitions pending or, to Americold's Knowledge, threatened with respect to any employee of Americold or any Americold Subsidiary.

4.16 Employee Benefit Plans. (a) Schedule 4.16 hereto contains a true and complete list of each "employee benefit plan," as such term is defined in Section 3(3) of ERISA, and each bonus, medical, incentive or deferred compensation, severance, retention, change in control, equity incentive or other material employee benefit plan, program or policy maintained or contributed to by Americold or any Americold Subsidiary for the benefit of its respective employees or former employees or with respect to which Americold or a Americold Subsidiary is obligated to contribute on behalf of its employees and current or former Directors (collectively, the "Plans"). Americold has made available to the Parent true and complete copies of all Plans; all related trust agreements and insurance contracts forming a part of any Plans; the most recent actuarial and trust reports prepared for any such Plan; the most recent Form 5500 filed in respect of each such Plan and all schedules thereto; the most recent determination letter issued in respect of each such Plan; the current summary plan descriptions with respect to such Plans for which such

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a description has been distributed; and all amendments to any such document.

(b) Each Plan intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the IRS with respect to "TRA" (as defined in Section 1 of Rev. Proc. 93-39) as to the qualification thereof under Section 401(a) of the Code and, to the Knowledge of Americold, no amendment has been made to any such Plan since the date of such determination letter that has or would result in the disqualification of such Plan under Section 401(a) of the Code. Each of the Plans has been operated and administered in all material respects in accordance with applicable laws, including but not limited to ERISA and the Code. There are no material pending or, to the Knowledge of Americold, threatened claims by or on behalf of any of the Plans or by any employee participating therein (other than routine claims for benefits). All contributions required to have been made by Americold and the Americold Subsidiaries to any Plan pursuant to applicable law (including, without limitation, ERISA and the Code) have been made on a timely basis. Neither Americold nor any of the Americold Subsidiaries has engaged in a transaction with respect to any Plan that, assuming the taxable period of such transaction expired as of the date hereof, could subject Americold or any of the Americold Subsidiaries to a tax or penalty imposed by either Section 4975 of the Code or Section 502(i) of ERISA in an amount which could be material.

(c) As of the date hereof, no liability under Title IV of ERISA (other than for the payment of premiums under Section 4007) has been or is expected to be incurred by Americold or any Americold Subsidiary with respect to any ongoing, frozen or terminated "single employee plan", within the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by any of them. Americold and any Americold Subsidiary have not incurred and do not expect to incur any withdrawal liability with respect to a multi-

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employer plan (within the meaning of Section 4063 or 4064 of ERISA).

(d) No Plan is a multiple employer plan within the meaning of Section 4063 or 4064 of ERISA.

(e) Except for Americold and each Americold Subsidiary, no other trade or business, whether or not incorporated, is currently or, within the preceding six years, has been required to be treated as a "single employer" with Americold pursuant to clause (b), (c) or (m) of Section 414 of the Code.

(f) Neither Americold nor any Americold Subsidiary has any obligations for retiree health and life benefits under any Plan, except as set forth on Schedule 4.16(f) hereto.

(g) Except as set forth in Schedule 4.16 hereto, the consummation of the transactions contemplated by this Agreement will not (i) entitle any employees of Americold or any Americold Subsidiary to severance pay, (ii) accelerate the time of payments or vesting or trigger any payment of compensation or benefits under, increase the amount payable or trigger any other material obligation pursuant to, any Plan or (iii) result in any breach or violation of, or a default under, any of the Plans.

4.17 Actions Pending. Except as set forth in Schedule 4.17 hereto, there is no civil, criminal or administrative action, suit, hearing, claim, litigation, proceeding or investigation pending or, to the Knowledge of Americold, threatened, against or affecting Americold or any Americold Subsidiary or the business or any of the assets of Americold or any Americold Subsidiary, or which seeks to enjoin or prohibit, or otherwise questions the validity of, any action taken or to be taken in connection with this Agreement, and there is no order, decision, ruling, injunction, judgment, award or decree or consent of or agreements with any Governmental Authority against or

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affecting Americold or any Americold Subsidiary or the business or assets of Americold or any Americold Subsidiary, or which enjoins or prohibits, any action taken or to be taken in connection with this Agreement.

4.18 Affiliate Transactions. Except as set forth on Schedule 4.18 hereto, there are no existing agreements, understandings or arrangements between Americold or any Americold Subsidiary, on the one hand, and any Affiliate of Americold or any Americold Subsidiary, on the other hand.

4.19 Absence of Certain Changes. Except as set forth on Schedule 4.19 hereto, since August 31, 1997, (a) Americold and the Americold Subsidiaries have conducted their respective businesses only in the ordinary and usual course of their respective businesses, and (b) there has not been any material adverse change in the financial condition, assets, owned or leased properties, business or results of operations of Americold or any Americold Subsidiary that, individually or in the aggregate, has had a Material Adverse Effect and (c) neither Americold nor any Americold Subsidiary has taken any action of the type described in any clause of Section 6.1.

4.20 Insurance. Schedule 4.20 hereto lists all material insurance policies maintained by, or for the benefit of, Americold or any Americold

Subsidiary, as an insured. All such insurance policies are in full force and effect, all premiums due thereon have been paid and no notice of termination of any such policy has been received by the insured thereunder.

4.21 Taxes. Except as set forth on Schedule 4.21 hereto, or as reflected or reserved against in the February 28, 1997 balance sheet included in the Financial Statements, (i) Americold and the Americold Subsidiaries have (or by the Closing Date will have) duly and timely filed or caused to be filed all Tax Returns that are required to be filed on or before the Closing Date or the time for filing such returns shall have been validly

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extended to a date after the Closing Date (collectively, the "Returns"), except to the extent that the failure to so file would not individually or in the aggregate have a Material Adverse Effect; (ii) Americold and the Americold Subsidiaries have paid all Taxes shown or required to be shown on such Returns, and have (or by the Closing Date will have) withheld to the appropriate Taxing Authority, all federal and state Taxes that are required to be withheld on or before the Closing Date, except to the extent that the failure to so pay, withhold or remit would not individually or in the aggregate have a Material Adverse Effect; (iii) no claim in writing by the IRS or any other Taxing Authority for assessment or collection of Taxes, that are or may become payable by Americold or the Americold Subsidiaries or chargeable as a Lien upon the assets thereof, has been received by Americold or any Americold Subsidiary; (iv) taxable years of Americold and the Americold Subsidiaries through the taxable year ended 1990 have been examined and closed (v) neither Americold nor any Americold Subsidiary has granted any extension or waiver of the limitation period applicable to any Returns, which period (after giving effect to such extension or waiver) has not yet expired; (vi) neither Americold nor any Americold Subsidiary has received any notice in writing of any claim, audit, action, suit, proceeding or investigation now pending against or with respect to Americold or any Americold Subsidiary in respect of any Tax; (vii) there are no requests for rulings or determinations in respect of any Tax pending between Americold or any Americold Subsidiary, on the one hand, and any Taxing Authority on the other; and (viii) neither Americold nor any Americold Subsidiary has (A) been a member of an affiliated group, or (B) filed or been included in a combined, consolidated or unitary Return, in each case involving group members other than Americold and the Americold Subsidiaries and (ix) neither Americold nor any of its subsidiaries has (a) elected to be treated as a "real estate investment trust" for federal income tax purposes for any taxable year ending after December 31, 1993 or (b) acquired, since January 1, 1994, a substantial portion of the assets of an entity whose election to be

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treated as a "real estate investment trust" has been terminated or revoked. Schedule 4.21 hereto contains a list of states, territories and jurisdictions (whether foreign or domestic) with respect to which any income Tax Return has been filed by Americold or any Americold Subsidiary within the last three taxable years.

For purposes of this Agreement: (a) "Tax" means any net income, alternative or add-on minimum tax, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, license, withholding on amounts paid to or by Americold or any Americold Subsidiary, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profits tax, custom duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or penalty, addition to tax or additional amount imposed by any Governmental Authority (domestic or foreign) (a "Taxing Authority"), (b) "Taxes" shall have a correlative meaning and (c) "Tax Returns" shall mean reports, returns, information statements relating to Taxes or other documents filed or maintained or required to be filed or maintained, in connection with any Tax.

4.22 Environmental Matters. Except as set forth on Schedule 4.22 hereto and in the Environmental Reports listed thereon, Americold's and each Americold Subsidiary's operation and use of its assets and the Real Property are in compliance in all respects with all Environmental Laws, except to the extent that any such noncompliance would not individually or in the aggregate have a Material Adverse Effect. Except as set forth on Schedule 4.22 or in the Environmental Reports listed thereon, Americold and the Americold Subsidiaries have obtained all environmental, health and safety permits necessary for the operation of the business of Americold and the Americold Subsidiaries as presently conducted, and all such permits are in full force and effect and Americold and each Americold Subsidiary are in compliance in all respects with the terms and conditions of each such permit, except, in each case, to the extent

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that any such failure to obtain or noncompliance would not individually or in the aggregate have a Material Adverse Effect. Except as disclosed in Schedule 4.22 or in the Environmental Reports listed thereon and except as could not reasonably be expected to have individually or in the aggregate a Material

Adverse Effect, (i) no property currently owned or operated by Americold or any Americold Subsidiary, including the Owned and Leased Properties, has been contaminated in any material respect with any substance regulated under any Environmental Law such that any removal or remedial action is required under Applicable Law; (ii) Americold and the Americold Subsidiaries are not subject to any material liability for any off-site disposal or contamination; and (iii) there are no other conditions or violations involving Americold or any Americold Subsidiary (including the presence of asbestos, underground storage tanks, chlorofluorocarbons, Freon and polychlorinated biphenyls) that are likely to result in any material claims, liabilities or costs or any restrictions on the ownership, use or transfer of any Owned or Leased Property in connection with any Environmental Law. Except as disclosed in Schedule 4.22, to the Knowledge of Americold, there are not other environmental reports, studies, assessments, sampling results or other written environmental analyses relating to any Owned Property ("Environmental Reports") and a copy of each of these Environmental Reports has been made available to Parent at least five days prior to the date hereof.

4.23 Brokers, Finders, etc. Except as described on Schedule 4.23, neither Americold nor any Americold Subsidiary has employed, or is subject to the valid claim of, any broker, finder or other financial intermediary in connection with the transactions contemplated by this Agreement or the transactions contemplated hereby, who might be entitled to a fee or commission in connection herewith.

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ARTICLE V

REPRESENTATIONS AND WARRANTIES  
OF VORNADO, THE PARENT AND ACQUISITION CO.

Vornado, the Parent and Acquisition Co., jointly and severally, represent and warrant to Americold as follows:

5.1 Organization and Standing. Vornado is a real estate investment trust duly organized and in good standing under the laws of the State of Maryland and has the power and authority to carry on its business as presently conducted, except where the failure to be so qualified would not individually or in the aggregate have a material adverse effect on its ability to timely perform its obligations hereunder or consummate the transactions contemplated hereby. The Parent is a corporation duly organized and in good standing under the laws of the State of Delaware and has the power and authority to carry on its business as presently conducted, except where the failure to be so qualified would not individually or in the aggregate have a material adverse effect on its ability to timely perform its obligations hereunder or consummate the transactions contemplated hereby. Acquisition Co. is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business as presently conducted, except where the failure to be so qualified would not individually or in the aggregate have a material adverse effect on its ability to timely perform its obligations hereunder or consummate the transactions contemplated hereby.

5.2 Authorization and Binding Obligation. Each of Vornado, the Parent and Acquisition Co. has all necessary partnership, corporate or other power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by the Vornado, Parent and Acqui-

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sition Co. and the consummation by Vornado, the Parent and Acquisition Co. of the transactions contemplated hereby have been duly and validly authorized and approved by all necessary partnership, corporate (or other) action on the part of each of Vornado, the Parent and Acquisition Co. and no other corporate action or other proceedings on the part of Vornado, the Parent or Acquisition Co. is necessary to authorize this Agreement or the consummation of the transactions contemplated hereby. This Agreement has been duly executed and delivered by each of Vornado, the Parent and Acquisition Co. and constitutes a valid and binding obligation of Vornado, the Parent and Acquisition Co., enforceable against Vornado, the Parent and Acquisition Co. in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar rights of creditors generally and by general principles of equity.

5.3 Consents and Approvals; No Conflicts. Except for applicable requirements of the HSRA and filing and recordation of the Merger Filings as required by the OBCA and the DGCL, no filing with, and no permit, authorization, consent or approval of, any public body or authority is necessary for the consummation by Vornado, the Parent or Acquisition Co. of the transactions contemplated by this Agreement, except where the failure to make such filing or obtain such permit, authorization, consent or approval, would not individually or in the aggregate have a material adverse effect on such Person's ability to timely perform its obligations hereunder or consummate the transactions contemplated hereby. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby, nor compliance by

Vornado, the Parent or Acquisition Co. with any of the provisions hereof will (a) result in any violation of any provision of the organizational documents of Vornado, the Parent or Acquisition Co., (b) violate any Applicable Law, or (c) result in a material violation or breach of, or constitute (with or without due notice or lapse of time or both) a material default (or give rise to any right of termination,

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cancellation or acceleration) under, any material contract, agreement, note, bond, mortgage, indenture, license, lease, franchise, permit, Plan or other instrument or obligation to which Vornado, the Parent or Acquisition Co. is a party, or by which any of them or any of their respective properties is bound, except in the case of clauses (b) and (c) above, where such violation, breach, default or right of termination would not individually or in the aggregate have a material adverse effect on such Person's ability to timely perform its obligations hereunder or to consummate the transactions contemplated hereby.

5.4 Litigation. There is no claim, litigation, proceeding or investigation pending or, to the best of Vornado's, the Parent's or Acquisition Co.'s knowledge, threatened, which seeks to enjoin or prohibit, or otherwise questions the validity of, any action taken or to be taken by Vornado, the Parent or Acquisition Co. in connection with this Agreement or which would individually or in the aggregate have a material adverse effect on such person's ability timely to perform its respective obligations hereunder or to consummate the transactions contemplated hereby.

5.5 Finders and Investment Bankers. None of Vornado, the Parent or Acquisition Co. has employed, or is subject to the valid claim of, any broker, finder or other financial intermediary in connection with the transactions contemplated by this Agreement or the transactions contemplated hereby, who might be entitled to a fee or commission in connection herewith or therewith payable by Americold or any Americold Subsidiary.

5.6 Financing, etc. Vornado has available to it pursuant to existing credit facilities sufficient cash on hand to allow it to pay the Merger Consideration, consummate the transactions contemplated hereby and pay related fees and expenses. Upon consummation of the Closing, Americold will be in compliance with Section 9.1 of the Amended and Restated Indenture dated as of March 9, 1993, and Section

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9.01 of the Indenture dated as of April 9, 1996, each of which Indentures is referred to in the list of Americold Indebtedness set forth on Schedule 1.6 hereto of the Americold Indebtedness.

## ARTICLE VI

### COVENANTS

6.1 Conduct of Business. During the period from the date hereof to the Closing Date, Americold covenants and agrees that it will and will cause the Americold Subsidiaries to carry on their businesses in the ordinary course of business, in substantially the same manner as heretofore conducted, and will use its reasonable commercial efforts to preserve intact its and the Americold Subsidiaries' present business organization, keep available the services of their respective officers and Employees and preserve their relationships with customers and suppliers and others having business dealings with them, to the end that their goodwill and going business shall be maintained following the Closing. Without limiting the generality of the foregoing, except as expressly permitted by this Agreement or with the prior written consent of the Parent, such consent not to be unreasonably withheld or delayed, or as set forth on Schedule 6.1 hereto, Americold covenants and agrees that it will not, and it will not permit any Americold Subsidiary to do, or agree to do, on or after the date hereof, any of the following, on or before the Closing:

(a) amend their respective certificates of incorporation or by-laws or other organizational documents;

(b) rescind, modify, amend or otherwise change or affect any of the resolutions of the Board recommending adoption of this Agreement and authorization of the Merger;

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(c) issue, sell, transfer, assign, pledge, convey or dispose of any security or equity interest or any security convertible into or exchangeable or exercisable for any security or equity interest, including, without limitation, any subscriptions, options, warrants, calls, conversions or other rights, agreements, commitments, arrangements or understandings of any kind obligating Americold or any Americold Subsidiary, contingently or otherwise, to issue or sell, or cause to be issued or sold, any security or equity interest of Americold or any

Americold Subsidiary or any security convertible into or exchangeable or exercisable for any security or equity interest;

(d) split, combine or reclassify any shares of any class of its capital stock, declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of any class of its capital stock, or redeem or otherwise acquire any shares of such capital stock, except as required under the agreements listed on Schedule 6.1(d) hereto;

(e) write off any receivables, except in the ordinary course of business consistent with past practice;

(f) sell, assign, lease or otherwise transfer or dispose of any material assets except in the ordinary course of business consistent with past practice in an aggregate amount in excess of \$350,000 unless the same shall be replaced with assets of equal or greater value and utility;

(g) (i) except as set forth on Schedule 6.1(g) hereto and except in the ordinary course of business consistent with past practice under existing lines of credit, create, incur or assume any liability, including obligations in respect of capital leases, or make or commit to make capital expenditures in excess of

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\$250,000 each or \$500,000 in the aggregate or create, incur, assume, maintain or permit to exist any indebtedness in an aggregate amount greater than \$250,000 for Americold and the Americold Subsidiaries combined; (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other Person, except for assumptions, guarantees or endorsements by Americold of the obligations of any Americold Subsidiary in the ordinary course of business consistent with past practice; (iii) make any loans, advances or capital contributions to, or investments in, any other Person (other than customary loans or advances in the ordinary course of business consistent with past practice to Employees not to exceed \$100,000 in the aggregate and extensions of credit made to customers on a trade receivable basis in the ordinary course of business consistent with past practice); or (iv) create, assume or permit to exist any Lien upon their assets, except for those in existence on the date of this Agreement and except for those additional Liens created in the ordinary course of business consistent with past practice;

(h) except as set forth on Schedule 6.1(h) hereto (i) increase or modify or agree to increase or modify the compensation, bonuses or other benefits or perquisites of any Employee of Americold or any Americold Subsidiary, except for salary increases granted in the ordinary course of business consistent with past practice, or (ii) pay or commit to pay any compensation, bonus, pension or other retirement benefit or allowance, fringe benefit or other benefit not required by the terms of an existing Plan, or collective bargaining agreement as in effect on the date hereof or otherwise in the ordinary course of business consistent with past practice;

(i) make any new elections, or make any changes to current elections, with respect to Taxes;

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(j) change their auditors, fail to maintain their books and records in accordance with GAAP or materially change their auditing or bookkeeping practices;

(k) take or fail to take any action that would cause any of its representations and warranties not to be true and correct on the Closing Date in the manner required by Section 7.3(b) hereof;

(l) cancel or materially amend or modify any real or material personal property leases;

(m) other than in the ordinary course of business, cancel or materially amend or modify any agreements with customers; or

(n) enter into any new agreements with any customers with a duration of more than one year.

6.2 Third-Party Consents. Americold covenants and agrees that it will and will cause each Americold Subsidiary to use reasonable commercial efforts to obtain, prior to the Closing, the consents of third parties and Governmental Authorities set forth on Schedule 4.4 hereto.

6.3 Compliance with OBCA; Filings; Information Statement. (a) As soon as practicable and in any event within ten (10) days after the date of this Agreement, Americold will prepare and deliver to each shareholder of Americold a notice (the "Notice"), in accordance with O.R.S. 60.214, 60.487 and 60.561,

regarding (i) the execution of this Agreement, (ii) the Board's authorization of the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and (iii) the availability of appraisal rights under O.R.S. 60.551-60.594. As promptly as practicable, Americold will prepare, and will provide to Vornado for its review and comment, an information statement (together with the Notice, the "Information Statement"). As promptly as practicable thereafter, Americold will deliver to each holder of

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Americold Common Stock a copy of the Information Statement, provided that Americold will not circulate the Information Statement without Vornado's prior written consent. Americold agrees that none of the information included or incorporated by reference in the Information Statement will be false or misleading with respect to any material fact or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading; provided, that the foregoing shall not apply to information supplied by or on behalf of the Parent or Acquisition Co. specifically for inclusion or incorporation by reference in the Information Statement. The Parent agrees that none of the information supplied by or on behalf of the Parent or Acquisition Co. specifically for inclusion or incorporation by reference in the Information Statement will be false or misleading with respect to any material fact or will omit to state any material fact required to be stated therein or necessary in order to make the statements in such Information Statement, in light of the circumstances under which they are made, not misleading.

(b) As promptly as practicable, each of Americold, the Parent and Acquisition Co. shall properly prepare and file any filings required under any Federal, state, county, local or municipal law relating to the Merger and the transactions contemplated herein (such filings, together with the filings required under the HSRA, are, collectively, the "Filings"). The Parent and Acquisition Co., on the one hand, and Americold, on the other, shall promptly notify the other of the receipt of any comments on, or any request for amendments or supplements to, the Filings by any governmental official, and each of Americold, the Parent and Acquisition Co. will supply the other with copies of all correspondence between it and each of its subsidiaries and representatives, on the one hand, and any appropriate governmental official, on the other hand, with respect to the Filings.

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6.4 Additional Agreements. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use (and Americold shall cause the Americold Subsidiaries to use) their commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to cooperate with one another in connection with the foregoing, including using its commercially reasonable efforts to obtain all necessary consents, approvals and authorizations as are required to be obtained under Applicable Law, to defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the transactions contemplated hereby, to cause to be lifted or rescinded any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated hereby, and to effect all necessary registrations and Filings.

6.5 Acquisition Proposals. None of Americold or any of Americold's employees, representatives or agents (collectively, the "Americold Representatives") shall, directly or indirectly, solicit or initiate inquiries or proposals from or enter into any agreement with respect to, or provide any confidential information to or participate in any discussions or negotiations with, any Persons or group (other than the Parent, Acquisition Co. and their respective subsidiaries and their respective directors, officers, employees, representatives and agents) concerning any sale of assets or shares of Americold Common Stock, any assets or shares of capital stock of any Americold Subsidiary or any merger, consolidation or similar transaction involving Americold or any Americold Subsidiary (except, in all cases, for any sale of immaterial assets in the ordinary course of business consistent with past practices). Americold will promptly cease and Americold will cause to be terminated by the Americold Subsidiaries any existing discussions or negotiations with any third parties conducted heretofore with respect to any of the foregoing and will use its

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reasonable commercial efforts to retrieve and/or caused to be destroyed any and all nonpublic information concerning Americold or any Americold Subsidiary that has been furnished to third parties in connection therewith. Americold will not, and will cause its controlled Affiliates not to, and will use its best efforts to cause its noncontrolled affiliates not to, directly or indirectly, make, or in any way participate, directly or indirectly, in any solicitation of proxies, or become a participant in a solicitation to vote, or seek to advise or influence any person to abstain from voting or to vote against the Merger, this Agreement or any of the transactions contemplated herein, or enter into any negotiations, discussions or arrangements, or otherwise facilitate, assist or

encourage the efforts of any third party with respect to the foregoing.

6.6 Public Announcements. The Parent and Americold will consult with one another before issuing any press release or otherwise making any public statement with respect to this Agreement or the Merger and shall not issue any such press release or make any such public statement prior to such consultation without the consent of the Parent and Americold, except based on the advice of counsel for Americold or the Parent, as the case may be, as required by Applicable Law.

6.7 Consent of the Parent. The Parent, as the sole shareholder of Acquisition Co., by executing this Agreement hereby consents to the execution, delivery and performance of this Agreement by Acquisition Co. and such consent shall be treated for all purposes as a vote duly adopted at a meeting of the shareholders of Acquisition Co. held for such purpose.

6.8 Transfer Taxes. The Parent shall be responsible for the payment of all Transfer Taxes arising out of or in connection with or attributable to the transactions effected pursuant to this Agreement.

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6.9 Officers' and Directors' Insurance; Indemnification of Officers and Directors. The Parent agrees that for the entire period from the Effective Time until at least six (6) years after the Effective Time (a) the Articles of Incorporation and the By-Laws of the Surviving Corporation shall contain the provisions with respect to indemnification and exculpation from liability set forth in Americold's Articles of Incorporation and By-Laws as of the date of this Agreement, which provisions shall not be amended, repealed or otherwise modified during such period in any manner that would adversely affect the rights thereunder of individuals who on or prior to the Effective Time were directors, officers, employees or agents of Americold unless such modification is required by Applicable Law and (b) the Surviving Corporation shall either (x) maintain in effect Americold's current directors' and officers' liability insurance covering those persons who are currently covered on the date of this Agreement by Americold's directors' and officers' liability insurance policy or (y) purchase a "tail" insurance policy having a policy limit equal to or greater than the aggregate policy limit of such insurance and covering such persons against claims made within six (6) years following the Effective Time; provided, however, that this Section (b) shall not require Vornado or the Parent to pay annual insurance premiums in excess of 125% of the current annual premium for Americold's existing directors' and officers' liability insurance.

6.10 Americold Indebtedness. The Parent and Acquisition Co. shall furnish such information and certificates as Americold shall reasonably request in order for Americold and its counsel to be able to deliver the certificates, opinions and other instruments required under the change of control provisions of the Americold Indebtedness.

6.11 Access. Upon reasonable notice, and except as may otherwise be required by Applicable Law, Americold shall (and shall cause the Americold Subsidiaries to) afford the Parent's officers, agents and advisors reasonable access, during normal business hours throughout the period

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prior to the Effective Time, to its properties, books, contracts and records and, during such period, Americold shall (and shall cause the Americold Subsidiaries to) furnish to the Parent and its agents and advisors all information concerning its business, properties and personnel as they may reasonably request, provided that no investigation pursuant to this Section shall affect or be deemed to modify any representation or warranty made by Americold. All such information shall be governed by the terms of the Confidentiality Agreement referred to in Section 11.4.

6.12 Management Arrangements. Americold shall enter into bonus arrangements with Americold management involving payments in the aggregate of not less than \$610,000, and the parties shall negotiate in good faith the identities of the management recipients of such bonus arrangements, the respective amounts to be received by each and the respective terms thereof.

## ARTICLE VII

### CLOSING CONDITIONS

7.1 Conditions Precedent to the Obligations of All Parties. The respective obligations of each party to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of each of the following conditions:

(a) Any waiting period (and any extension thereof) applicable to the consummation of the Merger under the HSRA shall have expired or been terminated.

(b) No preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission nor any statute, rule, regulation or executive order promulgated or

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enacted by any Governmental Authority shall be in effect which would be reasonably likely to (i) make the consummation of the Merger by Vornado, the Parent, Acquisition Co. or Americold illegal or (ii) otherwise prevent the consummation of the Merger.

7.2 Additional Conditions to the Obligation of Americold. The obligation of Americold to effect the Merger is also subject to the fulfillment at or prior to the Effective Time of the following additional conditions:

(a) Vornado, the Parent and Acquisition Co. shall each have performed in all material respects each of its respective obligations under this Agreement required to be performed by it on or prior to the Effective Time pursuant to the terms hereof.

(b) The representations and warranties of Vornado, the Parent and Acquisition Co. contained in this Agreement shall be true and correct in all material respects, in each case when made and, unless such representation or warranty is made as of a specific date (in which case it shall be true and correct in all material respects as of such date), at and as of the Effective Time as if made at and as of such time.

(c) Americold shall have received a certificate, dated the Closing Date, of the President or any Vice President of Vornado, to the effect that the conditions specified in paragraphs (a) and (b) of this Section 7.2 have been fulfilled.

(d) Americold shall have received the opinion of Sullivan & Cromwell, special counsel to Vornado, the Parent and Acquisition Co., in form and substance reasonably satisfactory to Americold, as to the due authorization, execution and delivery of this Agreement by such parties.

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(e) Each of the Parent and Acquisition Co. shall have reaffirmed all of Americold's obligations under each of the Employment Agreements listed on Schedule 4.14 hereto.

(f) Americold shall have paid, or caused to be paid, a fee of \$2,000,000 to Kelso (the "Kelso Fee") in respect of Kelso's services in connection with the consummation of the transactions provided for hereby.

7.3 Conditions Precedent to Obligations of Vornado, the Parent and Acquisition Co. The obligations of Vornado, the Parent and Acquisition Co. to effect the Merger are also subject to the fulfillment at or prior to the Effective Time of the following additional conditions:

(a) Americold shall have performed in all material respects each of its obligations under this Agreement required to be performed by it on or prior to the Effective Time pursuant to the terms hereof.

(b) The representations and warranties of Americold set forth in this Agreement that are qualified by reference to a Material Adverse Effect shall be true and correct, and all other representations and warranties of Americold shall be true and correct, except for failures to be true and correct as would not, individually or in the aggregate, have a Material Adverse Effect, as of the date of this Agreement and as of the Effective Time as though made as of the Effective Time (except to the extent any such representation or warranty expressly speaks as of an earlier date, in which case it shall have been true and correct in all material respects as of such date).

(c) Vornado shall have received a certificate, dated the Closing Date, of the Chief Executive Officer of Americold, to the effect that the conditions specified in paragraphs (a) and (b) of this Section 7.3 have been fulfilled.

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(d) Vornado, the Parent and Acquisition Co. shall each have received the opinion of (i) Debevoise & Plimpton, special counsel to Americold, in form and substance reasonably satisfactory to Vornado, as to the absence of any agreements among the shareholders of Americold or with any potential purchaser of Americold that conflict with the execution, delivery and performance of this Agreement and (ii) Tonkon, Torp, Galen, Marmaduke & Booth, special counsel to Americold, in form and substance reasonably satisfactory to Vornado, as to the due authorization, execution and delivery of this Agreement and to the effect that the Merger has been duly authorized under Oregon law.

(e) One or more Americold Principal Shareholders shall not have revoked or attempted to revoke any of the proxies referred to in Section 4.2(c) with respect to a majority or more of the outstanding shares of Americold Common Stock.

(f) Americold shall have furnished to Vornado evidence reasonably satisfactory to Vornado that immediately prior to the Closing, Americold's principal amount of long-term indebtedness does not exceed \$471,200,000.

#### ARTICLE VIII

##### CLOSING

8.1 Time and Place. Subject to the satisfaction or waiver of all applicable conditions in Article VII, the Closing shall take place at the offices of Debevoise & Plimpton, 875 Third Avenue, New York, N.Y. 10022, at 10:00 a.m., local time, on the third business day following the satisfaction of the condition set forth in Section 7.1(a), or on such other date as Americold and the Parent may agree.

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8.2 Filings at the Closing; Other Actions. At the Closing, the Parent and Americold shall cause the Merger Filings to be filed and recorded in accordance with the applicable provisions of the OBCA and the DGCL, and shall take any and all other lawful actions and do any and all other lawful things necessary to cause the Merger to become effective.

#### ARTICLE IX

##### NON-SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS

All of the representations and warranties contained in this Agreement or any representations and warranties contained in any certificate, document or instrument delivered pursuant to this Agreement shall terminate as of the Closing. The covenants set forth in Sections 3.3, 3.5, 6.6, 6.8 and 6.9 herein shall survive the Closing.

#### ARTICLE X

##### TERMINATION RIGHTS

10.1 Termination. This Agreement may be terminated at any time prior to the Effective Time:

(a) by mutual consent of the Parent and Americold;

(b) by either the Parent or Americold if the Merger shall not have been consummated on or before January 15, 1998; provided, however, that the right to terminate this Agreement shall not be available to any party whose failure to fulfill any obligation of this Agreement has been the cause of, or resulted in, the failure of the Merger to have occurred on or before the aforesaid date;

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(c) by the Parent, if Americold shall have materially breached any of its covenants herein or if Americold shall have made a material misrepresentation and not cured the same within 15 days of notice of such breach or misrepresentation;

(d) by Americold, if either the Parent or Acquisition Co. shall have materially breached any of its covenants herein or if either the Parent or Acquisition Co. shall have made a material misrepresentation herein and not cured the same within 15 days of notice of such breach or misrepresentation; or

(e) by either the Parent or Americold, if any court of competent jurisdiction or other governmental agency of competent jurisdiction shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the Merger, and such order, decree, ruling or other action shall have become final and non-appealable.

10.2 Procedure and Effect of Termination. In the event of termination and abandonment of the Merger by the Parent or Americold pursuant to Section 10.1 hereof, notice thereof shall forthwith be given to Americold or the Parent, respectively, and this Agreement shall terminate and the Merger shall be abandoned, without further action by any of the parties hereto. Each of the Parent and Acquisition Co. agrees that any termination by Vornado shall be conclusively binding upon it, whether given expressly on its behalf or not. If this Agreement is terminated as provided herein, no party hereto shall have any

liability or further obligation to any other party to this Agreement except that any termination shall be without prejudice to the rights of any party hereto arising out of a breach by any other party of any covenant or agreement contained in this Agreement, and except that the provisions of Sections 6.6, 11.4, 11.5 and 11.7 hereof shall survive such termination.

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ARTICLE XI

OTHER PROVISIONS

11.1 Amendment and Modification. Subject to Applicable Law, this Agreement may be amended, modified or supplemented only by mutual written agreement of the parties hereto.

11.2 Benefit and Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, successors and assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party to this Agreement without the prior written consent of the other parties hereto. Any purported assignment made in contravention of the previous sentence shall be null and void.

11.3 No Third-Party Beneficiaries. Nothing in this Agreement shall confer any rights upon any Person other than the parties hereto and their respective heirs, successors and permitted assigns, except for the provisions of Section 6.10 hereof.

11.4 Entire Agreement. This Agreement and the Confidentiality Agreement, dated as of July 29, 1997, between Americold and Vornado and the exhibits and schedules hereto and thereto embody the entire agreement and understanding of the parties hereto and supersede any and all prior agreements, arrangements and understandings relating to the matters provided for herein and therein. Acquisition Co. hereby agrees that any consent or waiver of compliance given by the Parent hereunder shall be conclusively binding upon it, whether given expressly on its behalf or not. No party is making any representation or warranty whatsoever, express or implied, except the representations and warranties contained in this Agreement and each party acknowledges and agrees that it has not relied on or been induced to enter into this Agreement by any

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representation or warranty other than those expressly set forth herein.

11.5 Expenses. Except as otherwise provided in this Agreement, each of Vornado, the Parent and Acquisition Co., on the one hand, and Americold, on the other hand, shall be responsible for the payment of their respective expenses, including legal and accounting fees, in connection with the preparation, negotiation and closing of this Agreement and the transactions contemplated hereby.

11.6 Headings. The headings set forth in this Agreement are for convenience only and will not control or affect the meaning or construction of the provisions of this Agreement.

11.7 Choice of Law. The construction and performance of this Agreement shall be governed by the laws of the State of New York without regard to its principles of conflict of laws, except insofar as the laws of the state of Oregon are mandatorily applicable to the Merger, and the state and federal courts of New York shall have exclusive jurisdiction over any controversy or claim arising out of or relating to this Agreement.

11.8 Notices. All notices, requests, demands, letters, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered personally, (b) mailed, certified or registered mail with postage prepaid, (c) sent by next-day or overnight mail or delivery or (d) sent by fax, as follows:

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(a) If to Vornado, the Parent or Acquisition Co., to it at:

Vornado Realty Trust  
Park 80 West, Plaza II  
Saddle Brook, NJ 07663  
Attention: Mr. Michael D. Fascitelli

Telecopy #: (201) 291-1093

Sullivan & Cromwell  
1701 Pennsylvania Avenue, N.W.  
Washington, D.C. 20006  
Attention: Janet T. Geldzahler

Telecopy #: (202) 293-6330

(b) If to Americold, to it at:

Americold Corporation  
7007 S.W. Cardinal Lane  
Suite 135  
Portland, OR 97224  
Telecopy #: (503) 598-8693

Attention: Ronald H. Dykehouse  
Chief Executive Officer

with copies to:

Kelso & Company  
320 Park Avenue  
24th Floor  
New York, NY 10022  
Telecopy #: (212) 223-2379

Attention: James J. Connors, II, Esq.

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and:

Tonkon, Torp, Galen, Marmaduke & Booth  
1600 Pioneer Tower  
888 S.W. Fifth Avenue  
Portland, OR 97204  
Telecopy #: (503) 274-8779

Attention: Brian G. Booth, Esq.

or to such other Person or address as any party shall specify by notice in writing to the party entitled to notice. All such notices, requests, demands, letters, waivers and other communications shall be deemed to have been received (w) if by personal delivery on the day after such delivery, (x) if by certified or registered mail, on the fifth Business Day after the mailing thereof, (y) if by next-day or overnight mail or delivery, on the day delivered or (z) if by fax, on the next day following the day on which such fax was sent, provided that a copy is also sent by certified or registered mail.

11.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same instrument.

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

VORNADO REALTY TRUST

By: /s/ Michael D. Fascitelli

\_\_\_\_\_  
Name:  
Title:

PORTLAND PARENT, INC.

By: /s/ Michael D. Fascitelli

\_\_\_\_\_  
Name:  
Title:

PORTLAND STORAGE ACQUISITION CO.

By: /s/ Michael D. Fascitelli

\_\_\_\_\_  
Name:  
Title:

AMERICOLD CORPORATION

By: /s/ Ronald H. Dykehouse

\_\_\_\_\_

Americold Principal Shareholders

Name	Number of Shares
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KIA III-Americold, Inc. L.P.	2,000,000
Kelso Investment Associates II, L.P.	500,000
Kelso Equity Partners, L.P.	70,000

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## Section 12: EX-99.6 (PARTNERSHIP AGREEMENT)

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EXHIBIT 99.6

September 28, 1997

Crescent Real Estate Equities Limited Partnership  
777 Main Street  
Fort Worth, TX 76102

Dear Sirs:

Vornado Realty Trust ("VRT") and Vornado, as defined below, have entered into definitive merger agreements (the "Merger Agreements") to acquire URS Logistics, Inc. and Americold Corporation (the "Companies"), copies of which are attached hereto as Exhibit A. Crescent Real Estate Equities Limited Partnership ("Crescent"), a Delaware limited partnership managed by Crescent Real Estate Equities Company, a Texas real estate investment trust ("CEI") and Portland Parent Incorporated and Atlanta Parent Incorporated, both Delaware corporations (collectively, "Vornado") have agreed to Crescent becoming Vornado's partner in those investments (the "Investments"), and hereby form a partnership on the following terms. You acknowledge that you have completed all due diligence with respect to both Companies and the Merger Agreements and are satisfied with the results thereof and have all necessary board approvals to enter into this transaction.

The agreed upon terms are as follows:

1. Partnership. As promptly as practicable after the date hereof, the parties (a) shall commence the negotiation of a definitive partnership agreement evidencing the partnership created hereby and such other terms as the parties shall mutually agree and (b) shall execute and deliver, or cause to be executed and delivered, as applicable, the partnership agreement.

2. Interim Decisions. From and after the date hereof until the later of execution and delivery of the partnership agreement and the closings under the Merger Agreements, but subject to the provisions of Section 9 hereof, all decisions with respect to the acquisition of the Investments, including, without limitation, the interpretation and performance of Vornado's rights and obligations under the Merger Agreements and all operational decisions with respect to the Companies shall be made by Vornado.

3. Structure. As promptly as practicable, we will meet to determine the structure of the partnership's investment, taking into account the individual REIT structures of VRT and CEI and any structural reconfigurations contemplated by either of us, in order to achieve the optimal tax vehicle for Vornado. Depending on the structure chosen and any potential delay your investment might cause in closing the mergers, the timing of your capital contribution to consummate the investment could occur either prior to or promptly following the closing of the above mergers, at Vornado's option. Prior to the closing of the

Merger Agreements, it is anticipated that the rights under this agreement will be assigned to affiliates or related entities of Crescent and Vornado in such manner and to such extent as may be required to achieve the structure determined pursuant to this paragraph.

4. Ownership. Crescent will hold 40% and Vornado will hold 60% of the ownership, capital and financial interest in the partnership. Vornado will contribute 60% and Crescent will contribute 40% of all costs required to make the Investments (including all transaction costs and prepayment of all debt, including prepayment fees).

5. Management.

a. Each partner will be required to approve the following actions: (i) approval of the annual capital and operating budgets of each Company, any deviations in any such budget by 10% or more in the aggregate per budget, the hiring or firing of a chief executive officer of either Company or a combined entity and any required capital contributions by the partners in excess of \$50 million per year, and (ii) other than transactions necessary to effect the tax structuring contemplated by paragraph 2 or to preserve either VRT's or CEI's REIT status, any transactions with an affiliate of any partner, the sale or acquisition of any asset (including, without limitation, equity interests in any entity) with a value of more than \$25 million, the creation of any security interest, lien or other encumbrance on any of the partnership's assets which treats one partner differently from another, the making of any loan, advance or extension of credit to any partner, any guarantee of any direct or indirect obligation of any partner, and any sale, liquidation or merger of either Company (other than a combination of the two Companies) or a combined entity.

b. Vornado will serve as operating manager of the Companies and the day-to-day liaison to the management. While it is our intention that the Companies or a combined entity would operate relatively autonomously, any required decisions which would not fall within subparagraph (a) of this agreement would be made by Vornado. For such services, Vornado shall receive a fee per annum equal to 1% of the cost (including for such purposes the amount of indebtedness on the acquired entity or assets at the time of acquisition and all expenses (including prepayment penalties) incurred in such acquisition) paid to acquire the Companies and any entities or assets hereafter acquired.

6. Term. Except as otherwise agreed by the partners, the partnership shall continue for a term of 30 years from the date hereof, except that it shall terminate if the Merger Agreements terminate or if Crescent or any affiliate thereof takes any action in violation of Section 9 hereof. The partnership shall preserve and maintain its existence and all its rights, privileges and franchises. Neither partner shall have the right to withdraw from the partnership, except as provided herein, nor shall either partner have the right to cause the dissolution, termination, liquidation or winding-up of the partnership without the consent of the remaining partner.

7. Agreement to Act in Good Faith. The partnership agreement shall require each partner to cooperate with the other partner thereto to carry out the purpose and intent of the partnership, including without limitation the execution and delivery to the appropriate party of all such further documents as may reasonably be required in order to carry out the terms of the partnership. The parties shall act in a commercially reasonable manner in good faith with one another in negotiating the terms of the partnership agreement and all of required contracts, agreements or documents, in operating the partnership, and in carrying out the terms of this agreement.

8. Buy/Sell. In the event the partners fail in good faith to reach an agreement with respect to any matters set forth in paragraph 5(a) on a timely basis during the first three years after the date hereof, Vornado shall be entitled to buy Crescent's interest at cost plus a 10% per annum return (taking into account all distributions). Thereafter, for the next seven years, upon such failure, Vornado may set a price at which it commits to either buy Crescent's investment, or sell its own, which decision to buy or sell shall be made by Crescent. Thereafter, upon such failure, either party may set a price at which its commits to either buy the other party's investment, or sell it own, which decision to buy or sell shall be made by the other party. In addition, each side

shall have the right of first refusal with respect to the sale of the other party's investment in the partnership, except that during the first three years Vornado's purchase price with respect to Crescent's shares under such right of first refusal shall be cost plus a 10% return (taking into account all distributions).

9. Exclusivity; Non-Solicitation. Prior to the closings under the Merger Agreements, Crescent shall not, and shall not permit any of its employees, agents, representatives or affiliates to, (i) without Vornado being fully informed thereof and consenting thereto, contact Kelso or any officer, director, employee, agent or customer of either Company with respect to the Investments, (ii) offer, negotiate, consummate or solicit any offer or proposal for a "Sales Transaction" (as hereinafter defined), including without limitation holding any discussions or engaging in any communications, or entering into any agreement or understanding whatsoever with Kelso or the Companies without Vornado being fully informed thereof and consenting thereto, or (iii) take any action to disrupt the closings under the Merger Agreements. Crescent's obligations under the preceding sentence shall survive any termination of the partnership and shall terminate only upon the termination of both Merger Agreements. For the purposes of this agreement, the term "Sales Transaction" means (A) any merger, consolidation, reorganization or other business combination pursuant to which the business of either of the Companies would be combined with that of Crescent (or an affiliate thereof) or (B) the acquisition, directly or indirectly, by a third party of any equity interest, debt, or any assets (other than in the ordinary course of business) of either of the Companies. Prior to the closings under the Merger Agreements, Vornado agrees that neither it nor any of its affiliates will enter into any agreements with the Companies that would require approval as an affiliate transaction under paragraph 5(a).

10. Expenses. The parties shall each pay their own fees and expenses, and those of their agents, advisors, attorneys and accountants, with respect to the negotiation of this

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September 28, 1997  
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agreement and the formation of the partnership, and shall evenly split the expenses incurred on account of the partnership after the date hereof or by Vornado prior to the date hereof in connection with the negotiation and execution of the Merger Agreements (including, without limitation, due diligence).

11. Assignment. The terms and provisions of this agreement shall not be assignable by either party without the other party's consent, except as contemplated by the structure determined pursuant to paragraph 3.

12. Public Announcement. The parties intend to make a public announcement regarding the execution of this agreement promptly following the execution hereof. Vornado will act as spokesperson for the partnership and will provide notice to Crescent of any proposed press release or other public announcement, and will work with Crescent on the content of any such press release or public announcement.

13. Agreement Not to Compete. The parties agree that so long as the partnership continues in existence, no partner thereto shall engage in the cold storage businesses of the type conducted by the Companies except through the partnership.

14. Miscellaneous.

a. This agreement and all transactions hereunder shall be governed by the laws of the State of Delaware, without regard to the application of conflict of law principles. The parties hereby irrevocably submit to the jurisdiction of the courts of the State of Delaware and to the U.S. District Court for the Southern District of New York solely in respect of the interpretation and enforcement of the provisions of this agreement, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this agreement may not be enforced in or by such courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a Delaware State court or Federal District Court for the Southern District of New York. The parties hereby consent to and grant any such court jurisdiction over the person of such parties and over the subject matter of such dispute.

b. This agreement constitutes the entire agreement between the parties with respect to the subject matter herein; provided, however, that this agreement contemplates the negotiation and execution of definitive agreements after the execution of this agreement as provided herein, which definitive agreements also shall be binding on the parties thereto following execution thereof.

c. No amendment or waiver of any provision of this agreement shall be effective unless in writing and signed by the party or parties against whom enforcement is sought. No failure or delay by any party in exercising any right, power or privilege

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September 28, 1997  
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hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

d. The rule that an agreement should be construed against the party drafting it shall not apply to this agreement because both parties have played a significant role in negotiating and drafting this agreement.

e. This agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

f. Signatures may be transmitted by facsimile and will be accepted and considered delivered as if an original.

Atlanta Parent Incorporated

By: /s/ Michael Fascitelli

-----  
Name: Michael Fascitelli  
Title: Vice President,  
Chief Financial Officer  
and Treasurer

Portland Parent Incorporated

By: /s/ Michael Fascitelli

-----  
Name: Michael Fascitelli  
Title: Vice President,  
Chief Financial Officer  
and Treasurer

Agreed to and accepted as of September 28, 1997 by

Crescent Real Estate Equities Limited Partnership

By: Crescent Real Estate Equities, Ltd.,  
its general partner

By: /s/ Gerald Haddock

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Name: Gerald Haddock  
Title: President and  
Chief Executive  
Officer

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