

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark one)

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

For the quarterly period ended: March 31, 2013

Or

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

For the transition period from: _____ to _____

Commission File Number: _____

001-11954

VORNADO REALTY TRUST

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

22-1657560

(I.R.S. Employer Identification Number)

888 Seventh Avenue, New York, New York

(Address of principal executive offices)

10019

(Zip Code)

(212) 894-7000

(Registrant's telephone number, including area code)

N/A

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (Do not check if smaller reporting company)

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of March 31, 2013, 186,935,027 of the registrant's common shares of beneficial interest are outstanding.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

VORNADO REALTY TRUST
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Amounts in thousands, except share and per share amounts)

ASSETS	March 31, 2013	December 31, 2012
Real estate, at cost:		
Land	\$ 4,798,418	\$ 4,797,773
Buildings and improvements	12,509,959	12,496,660
Development costs and construction in progress	953,162	920,654
Leasehold improvements and equipment	131,535	130,077
Total	18,393,074	18,345,164
Less accumulated depreciation and amortization	(3,181,760)	(3,087,561)
Real estate, net	15,211,314	15,257,603
Cash and cash equivalents	585,823	960,319
Restricted cash	168,379	183,256
Marketable securities	382,987	398,188
Tenant and other receivables, net of allowance for doubtful accounts of \$34,607 and \$37,674	144,204	195,718
Investments in partially owned entities	1,198,016	1,226,256
Investment in Toys "R" Us	474,466	478,041
Real Estate Fund investments	571,306	600,786
Mortgage and mezzanine loans receivable	225,221	225,359
Receivable arising from the straight-lining of rents, net of allowance of \$3,678 and \$3,165	777,608	760,699
Deferred leasing and financing costs, net of accumulated amortization of \$233,769 and \$224,509	411,130	407,745
Identified intangible assets, net of accumulated amortization of \$363,211 and \$350,162	393,771	424,038
Assets related to discontinued operations	260,798	565,962
Other assets	321,104	381,079
	<u>\$ 21,126,127</u>	<u>\$ 22,065,049</u>
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgages payable	\$ 9,063,084	\$ 8,663,326
Senior unsecured notes	1,358,095	1,358,008
Revolving credit facility debt	-	1,170,000
Accounts payable and accrued expenses	426,621	484,746
Deferred revenue	586,237	597,380
Deferred compensation plan	109,483	105,200
Deferred tax liabilities	15,453	15,305
Liabilities related to discontinued operations	103,609	420,508
Other liabilities	447,853	402,280
Total liabilities	12,110,435	13,216,753
Commitments and contingencies		
Redeemable noncontrolling interests:		
Class A units - 11,347,226 and 11,215,682 units outstanding	949,082	898,152
Series D cumulative redeemable preferred units - 1,800,001 units outstanding	46,000	46,000
Total redeemable noncontrolling interests	995,082	944,152
Vornado shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 52,684,609 and 51,184,609 shares	1,277,719	1,240,278
Common shares of beneficial interest: \$.04 par value per share; authorized 250,000,000 shares; issued and outstanding 186,935,027 and 186,734,711 shares	7,447	7,440
Additional capital	7,167,959	7,195,438
Earnings less than distributions	(1,479,296)	(1,573,275)
Accumulated other comprehensive income (loss)	120,953	(18,946)
Total Vornado shareholders' equity	7,094,782	6,850,935
Noncontrolling interests in consolidated subsidiaries	925,828	1,053,209
Total equity	8,020,610	7,904,144
	<u>\$ 21,126,127</u>	<u>\$ 22,065,049</u>

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

For the Three
Months Ended March 31,

(Amounts in thousands, except per share amounts)

	2013	2012
REVENUES:		
Property rentals	\$ 534,635	\$ 510,111
Tenant expense reimbursements	77,013	70,793
Cleveland Medical Mart development project	12,143	55,059
Fee and other income	97,225	33,278
Total revenues	721,016	669,241
EXPENSES:		
Operating	260,569	246,746
Depreciation and amortization	142,354	131,541
General and administrative	54,582	55,290
Cleveland Medical Mart development project	11,374	52,761
Acquisition related costs	601	685
Total expenses	469,480	487,023
Operating income	251,536	182,218
Income applicable to Toys "R" Us	1,759	116,471
Income from partially owned entities	20,766	19,660
Income from Real Estate Fund	16,564	11,762
Interest and other investment (loss) income, net	(49,074)	15,665
Interest and debt expense	(121,888)	(130,059)
Net loss on disposition of wholly owned and partially owned assets	(36,724)	-
Income before income taxes	82,939	215,717
Income tax expense	(1,073)	(6,825)
Income from continuing operations	81,866	208,892
Income from discontinued operations	207,061	71,372
Net income	288,927	280,264
Less net income attributable to noncontrolling interests in:		
Consolidated subsidiaries	(11,286)	(9,597)
Operating Partnership	(13,933)	(15,271)
Preferred unit distributions of the Operating Partnership	(786)	(3,874)
Net income attributable to Vornado	262,922	251,522
Preferred share dividends	(21,702)	(17,787)
Preferred share redemptions	(9,230)	-
NET INCOME attributable to common shareholders	\$ 231,990	\$ 233,735
INCOME PER COMMON SHARE - BASIC:		
Income from continuing operations, net	\$ 0.20	\$ 0.90
Income from discontinued operations, net	1.04	0.36
Net income per common share	\$ 1.24	\$ 1.26
Weighted average shares outstanding	186,752	185,370
INCOME PER COMMON SHARE - DILUTED:		
Income from continuing operations, net	\$ 0.20	\$ 0.90
Income from discontinued operations, net	1.04	0.35
Net income per common share	\$ 1.24	\$ 1.25
Weighted average shares outstanding	187,529	191,886
DIVIDENDS PER COMMON SHARE	\$ 0.73	\$ 0.69

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(Amounts in thousands)	For the Three Months Ended March 31,	
	2013	2012
Net income	\$ 288,927	\$ 280,264
Other comprehensive income (loss):		
Change in unrealized net gain on securities available-for-sale	148,789	12,693
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	(3,647)	(21,944)
Change in value of interest rate swap	2,523	2,386
Other	533	(123)
Comprehensive income	437,125	273,276
Less comprehensive income attributable to noncontrolling interests	(34,304)	(28,309)
Comprehensive income attributable to Vornado	\$ 402,821	\$ 244,967

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

(Amounts in thousands)

	Preferred Shares		Common Shares		Additional Capital	Earnings Less Than Distributions	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests in Consolidated Subsidiaries	Total Equity
	Shares	Amount	Shares	Amount					
Balance, December 31, 2011	42,187	\$ 1,021,660	185,080	\$ 7,373	\$ 7,127,258	\$ (1,401,704)	\$ 73,729	\$ 680,131	\$ 7,508,447
Net income	-	-	-	-	-	251,522	-	9,597	261,119
Dividends on common shares	-	-	-	-	-	(127,973)	-	-	(127,973)
Dividends on preferred shares	-	-	-	-	-	(17,787)	-	-	(17,787)
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	158	6	13,022	-	-	-	13,028
Under employees' share option plan	-	-	389	16	7,562	(16,389)	-	-	(8,811)
Under dividend reinvestment plan	-	-	5	-	411	-	-	-	411
Distributions:									
Real Estate Fund	-	-	-	-	-	-	-	(21,856)	(21,856)
Conversion of Series A preferred shares to common shares	(2)	(105)	3	-	105	-	-	-	-
Deferred compensation shares and options	-	-	7	1	5,915	(339)	-	-	5,577
Change in unrealized net gain on securities available-for-sale	-	-	-	-	-	-	12,693	-	12,693
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	-	-	-	-	-	-	(21,944)	-	(21,944)
Change in value of interest rate swap	-	-	-	-	-	-	2,386	-	2,386
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	(96,061)	-	-	-	(96,061)
Redeemable noncontrolling interests' share of above adjustments	-	-	-	-	-	-	433	-	433
Other	-	-	-	-	-	-	(123)	(2)	(125)
Balance, March 31, 2012	<u>42,185</u>	<u>\$ 1,021,555</u>	<u>185,642</u>	<u>\$ 7,396</u>	<u>\$ 7,058,212</u>	<u>\$ (1,312,670)</u>	<u>\$ 67,174</u>	<u>\$ 667,870</u>	<u>\$ 7,509,537</u>

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - CONTINUED
(UNAUDITED)

(Amounts in thousands)

	Preferred Shares		Common Shares		Additional Capital	Earnings Less Than Distributions	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests in Consolidated Subsidiaries	Total Equity
	Shares	Amount	Shares	Amount					
Balance, December 31, 2012	51,185	\$ 1,240,278	186,735	\$ 7,440	\$ 7,195,438	\$ (1,573,275)	\$ (18,946)	\$ 1,053,209	\$ 7,904,144
Net income	-	-	-	-	-	262,922	-	11,286	274,208
Dividends on common shares	-	-	-	-	-	(136,342)	-	-	(136,342)
Dividends on preferred shares	-	-	-	-	-	(21,702)	-	-	(21,702)
Issuance of Series L preferred shares	12,000	290,710	-	-	-	-	-	-	290,710
Redemption of Series F and Series H preferred shares	(10,500)	(253,269)	-	-	-	-	-	-	(253,269)
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	162	5	13,399	-	-	-	13,404
Under employees' share option plan	-	-	27	1	1,175	-	-	-	1,176
Under dividend reinvestment plan	-	-	5	-	433	-	-	-	433
Contributions:									
Real Estate Fund	-	-	-	-	-	-	-	10,251	10,251
Other	-	-	-	-	-	-	-	14,316	14,316
Distributions:									
Real Estate Fund	-	-	-	-	-	-	-	(43,145)	(43,145)
Other	-	-	-	-	-	-	-	(120,051)	(120,051)
Deferred compensation shares and options	-	-	6	1	2,512	(305)	-	-	2,208
Change in unrealized net gain on securities available-for-sale	-	-	-	-	-	-	148,789	-	148,789
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	-	-	-	-	-	-	(3,647)	-	(3,647)
Change in value of interest rate swap	-	-	-	-	-	-	2,523	-	2,523
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	(44,998)	-	-	-	(44,998)
Redeemable noncontrolling interests' share of above adjustments	-	-	-	-	-	-	(8,299)	-	(8,299)
Preferred share redemptions	-	-	-	-	-	(9,230)	-	-	(9,230)
Other	-	-	-	-	-	(1,364)	533	(38)	(869)
Balance, March 31, 2013	<u>52,685</u>	<u>\$ 1,277,719</u>	<u>186,935</u>	<u>\$ 7,447</u>	<u>\$ 7,167,959</u>	<u>\$ (1,479,296)</u>	<u>\$ 120,953</u>	<u>\$ 925,828</u>	<u>\$ 8,020,610</u>

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

For the Three Months Ended
March 31,

(Amounts in thousands)

Cash Flows from Operating Activities:

	2013	2012
Net income	\$ 288,927	\$ 280,264
Adjustments to reconcile net income to net cash provided by operating activities:		
Net gains on sale of real estate	(202,329)	(55,817)
Depreciation and amortization (including amortization of deferred financing costs)	148,918	145,304
Return of capital from Real Estate Fund investments	56,664	-
Non-cash impairment loss on J.C. Penney owned shares	39,487	-
Net loss on disposition of wholly owned and partially owned assets	36,724	-
Equity in net income of partially owned entities, including Toys "R" Us	(22,525)	(136,131)
Loss (income) from the mark-to-market of J.C. Penney derivative position	22,540	(1,045)
Straight-lining of rental income	(18,868)	(21,808)
Other non-cash adjustments	18,569	7,795
Amortization of below-market leases, net	(16,815)	(13,813)
Net unrealized gain on Real Estate Fund investments	(13,516)	(6,844)
Distributions of income from partially owned entities	10,627	14,194
Impairment losses	1,514	-
Changes in operating assets and liabilities:		
Real Estate Fund investments	(13,668)	28,980
Accounts receivable, net	51,514	(19,386)
Prepaid assets	67,814	51,202
Other assets	(15,326)	(9,245)
Accounts payable and accrued expenses	(21,908)	40,609
Other liabilities	(3,416)	2,844
Net cash provided by operating activities	414,927	307,103

Cash Flows from Investing Activities:

Proceeds from sales of real estate and related investments	499,369	306,022
Proceeds from sales of marketable securities	160,300	-
Funding of J.C. Penney derivative collateral	(58,522)	-
Return of J.C. Penney derivative collateral	38,900	-
Additions to real estate	(57,460)	(44,052)
Investments in partially owned entities	(39,892)	(46,732)
Development costs and construction in progress	(35,334)	(20,614)
Restricted cash	14,149	(19,355)
Distributions of capital from partially owned entities	5,544	4,203
Proceeds from repayments of mezzanine loans and other	631	554
Acquisitions of real estate and other	-	(21,054)
Proceeds from the repayment of loan to officer	-	13,123
Net cash provided by investing activities	527,685	172,095

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
(UNAUDITED)

For the Three Months Ended
March 31,

(Amounts in thousands)

Cash Flows from Financing Activities:

	2013	2012
Repayments of borrowings	\$ (2,529,836)	\$ (884,679)
Proceeds from borrowings	1,499,375	625,000
Proceeds from the issuance of preferred shares	290,710	-
Purchases of outstanding preferred units and shares	(262,500)	-
Distributions to noncontrolling interests	(172,142)	(34,092)
Dividends paid on common shares	(136,342)	(127,973)
Contributions from noncontrolling interests	24,566	-
Dividends paid on preferred shares	(23,161)	(17,789)
Debt issuance and other costs	(9,080)	(9,822)
Proceeds received from exercise of employee share options	1,607	7,997
Repurchase of shares related to stock compensation agreements and/or related tax withholdings	(305)	(30,034)
Net cash used in financing activities	<u>(1,317,108)</u>	<u>(471,392)</u>
Net (decrease) increase in cash and cash equivalents	(374,496)	7,806
Cash and cash equivalents at beginning of period	960,319	606,553
Cash and cash equivalents at end of period	<u>\$ 585,823</u>	<u>\$ 614,359</u>

Supplemental Disclosure of Cash Flow Information:

Cash payments for interest, excluding capitalized interest of \$8,260 and \$16	\$ 116,141	\$ 117,282
Cash payments for income taxes	\$ 1,825	\$ 2,563

Non-Cash Investing and Financing Activities:

Change in unrealized net gain on securities available-for-sale	\$ 148,789	\$ 12,693
Adjustments to carry redeemable Class A units at redemption value	(44,998)	(96,061)
Common shares issued upon redemption of Class A units, at redemption value	13,404	13,028
Write-off of fully depreciated assets	(11,730)	(37,890)

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization

Vornado Realty Trust (“Vornado”) is a fully-integrated real estate investment trust (“REIT”) and conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P., a Delaware limited partnership (the “Operating Partnership”). Vornado is the sole general partner of, and owned approximately 94.0% of the common limited partnership interest in the Operating Partnership at March 31, 2013. All references to “we,” “us,” “our,” the “Company” and “Vornado” refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

2. Basis of Presentation

The accompanying consolidated financial statements are unaudited and include the accounts of Vornado and its consolidated subsidiaries, including the Operating Partnership. All intercompany amounts have been eliminated. In our opinion, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted. These condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission (the “SEC”) and should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K, for the year ended December 31, 2012, as filed with the SEC.

We have made estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The results of operations for the three months ended March 31, 2013 are not necessarily indicative of the operating results for the full year. Certain prior year balances have been reclassified in order to conform to current year presentation.

3. Recently Issued Accounting Literature

In February 2013, the Financial Accounting Standards Board (“FASB”) issued Update No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* (“ASU No. 2013-02”). ASU No. 2013-02 requires additional disclosures regarding significant reclassifications out of each component of accumulated other comprehensive income, including the effect on the respective line items of net income for amounts that are required to be reclassified into net income in their entirety and cross-references to other disclosures providing additional information for amounts that are not required to be reclassified into net income in their entirety. The adoption of this update on January 1, 2013, did not have a material impact on our consolidated financial statements, but resulted in additional disclosures (see Note 14 - *Accumulated Other Comprehensive Income*).

4. Acquisitions

On December 21, 2012, we acquired a 58.75% interest in Independence Plaza, a three-building 1,328 unit residential complex in the Tribeca submarket of Manhattan. Our preliminary purchase price allocation was primarily to land (\$309,848,000) and building (\$527,578,000). Based on a third party appraisal and additional information about facts and circumstances that existed at the acquisition date, which was obtained subsequent to the acquisition date, we finalized the purchase price allocation and retroactively adjusted our December 31, 2012 consolidated balance sheet. These adjustments did not have a material impact to our consolidated statement of income for the year ended December 31, 2012. The following is a summary of our finalized purchase price allocation:

(Amounts in thousands)	
Land	\$ 602,662
Buildings and improvements	252,844
Acquired above-market leases (included in identified intangible assets)	13,115
Acquired in-place leases (included in identified intangible assets)	67,879
Other assets	7,374
Acquired below-market leases (included in deferred revenue)	(99,074)
Purchase price allocation	<u>\$ 844,800</u>

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

5. Vornado Capital Partners Real Estate Fund (the “Fund”)

We are the general partner and investment manager of our \$800,000,000 Fund, to which we committed \$200,000,000. The Fund has an eight-year term and a three-year investment period, which concludes in July 2013. During the investment period, the Fund is our exclusive investment vehicle for all investments that fit within its investment parameters, as defined. The Fund is accounted for under the AICPA Investment Company Guide and its investments are reported on its balance sheet at fair value, with changes in value each period recognized in earnings. We consolidate the accounts of the Fund into our consolidated financial statements, retaining the fair value basis of accounting.

At March 31, 2013, the Fund had nine investments with an aggregate fair value of \$571,306,000, or \$81,158,000 in excess of cost, and had remaining unfunded commitments of \$257,956,000, of which our share was \$64,489,000. Below is a summary of income from the Fund for the three months ended March 31, 2013 and 2012.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2013	2012
Operating income	\$ 3,048	\$ 4,918
Net unrealized gains	13,516	6,844
Income from Real Estate Fund	16,564	11,762
Less (income) attributable to noncontrolling interests	(9,540)	(7,933)
Income from Real Estate Fund attributable to Vornado ⁽¹⁾	\$ 7,024	\$ 3,829

⁽¹⁾ Excludes management, leasing and development fees of \$682 and \$703 for the three months ended March 31, 2013 and 2012, respectively, which are included as a component of "fee and other income" on our consolidated statements of income.

6. Mortgage and Mezzanine Loans Receivable

As of March 31, 2013 and December 31, 2012, the carrying amount of mortgage and mezzanine loans receivable was \$225,221,000 and \$225,359,000, respectively. These loans have a weighted average interest rate of 10.3% at March 31, 2013 and December 31, 2012, and have maturities ranging from August 2014 to May 2016.

On March 27, 2013, we transferred, at par, a 25% participation in a mortgage loan on 701 Seventh Avenue to a third party for \$59,375,000 in cash. We acquired this participation in October 2012, together with a 25% interest in a mezzanine loan on the property. The transfer did not qualify for sale accounting given our continuing interest in the mezzanine loan. Accordingly, we continue to include the 25% participation in the mortgage loan in “Mortgage and Mezzanine Loans Receivable” and have recorded a \$59,375,000 liability in “Other Liabilities” on our consolidated balance sheet. Interest income on this participation will be offset by interest expense from the liability.

In the second quarter of 2013, a \$50,000,000 mezzanine loan that was scheduled to mature in August 2015, was repaid. In connection therewith, we received net proceeds of approximately \$55,000,000, including prepayment penalties, which resulted in approximately \$5,000,000 of income that will be recognized in the second quarter.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

7. Marketable Securities and Derivative Instruments

Our portfolio of marketable securities is comprised of equity securities that are classified as available for sale. Available for sale securities are presented on our consolidated balance sheets at fair value. Unrealized gains and losses resulting from the mark-to-market of these securities are included in “other comprehensive income (loss).” Realized gains and losses are recognized in earnings only upon the sale of the securities and are recorded based on the weighted average cost of such securities.

Investment in J.C. Penney Company, Inc. (“J.C. Penney”) (NYSE: JCP)

On March 4, 2013, we sold 10,000,000 J.C. Penney common shares at a price of \$16.03 per share, or \$160,300,000 in the aggregate, which resulted in a net loss of \$36,800,000, which is included in “net gain on disposition of wholly owned and partially owned assets” on our consolidated statements of income.

As of March 31, 2013, we own an economic interest in 13,400,000 J.C. Penney common shares, or 6.1% of its outstanding common shares. Below are the details of our investment.

We own 8,584,010 common shares at a GAAP cost of \$19.71, per share, or \$169,191,000 in the aggregate. As of March 31, 2013, based on J.C. Penney’s closing share price of \$15.11 per share, these shares have an aggregate fair value of \$129,704,000, or \$39,487,000 below our GAAP cost. We have concluded that this decline in value is “other-than temporary” and have recorded a \$39,487,000 impairment loss in the first quarter. Our conclusion was based on the severity of decline in the stock price and our inability to forecast a recovery in the near term.

We also own an economic interest in 4,815,990 common shares through a forward contract at a weighted average strike price of \$29.18 per share, or \$140,525,000 in the aggregate. The forward contract may be settled, at our election, in cash or common shares, in whole or in part, at any time prior to October 8, 2022. The counterparty may accelerate settlement, in whole or in part, on October 8, 2014, or any anniversary thereof, or in the event we were to receive a credit downgrade. The forward contract strike price per share increases at an annual rate of LIBOR plus 95 basis points during the first two years of the contract and LIBOR plus 80 basis points thereafter. The contract is a derivative instrument that does not qualify for hedge accounting treatment. Gains and losses from the mark-to-market of the underlying common shares are recognized in “interest and other investment (loss) income, net” on our consolidated statements of income. In the three months ended March 31, 2013, we recognized a loss of \$22,540,000, from the mark-to-market of the underlying common shares, and as of March 31, 2013, have funded \$76,002,000 in connection with this derivative position. In the three months ended March 31, 2012, we recognized income of \$1,045,000 from the mark-to-market of the underlying common shares.

As of March 31, 2013, the aggregate economic net loss on our investment in J.C. Penney, including shares sold, was \$227,095,000.

Investment in Lexington Realty Trust (“Lexington”) (NYSE: LXP)

Since the inception of our investment in Lexington in 2008, we accounted for it under the equity method of accounting, because of our ability to exercise significant influence over Lexington’s operating and financial policies. As a result of Lexington’s common share issuances, our ownership interest has been reduced over time from approximately 17.2% to 8.8% as of March 31, 2013. In the first quarter of 2013, we concluded that we no longer have the ability to exercise significant influence over Lexington’s operating and financial policies, and began accounting for this investment as a marketable equity security – available for sale, in accordance with Accounting Standards Codification (“ASC”) Topic 320, *Investments – Debt and Equity Securities*.

Below is a summary of our marketable securities portfolio as of March 31, 2013 and December 31, 2012.

	As of March 31, 2013			As of December 31, 2012		
	Fair Value	GAAP Cost	Unrealized Gain	Fair Value	GAAP Cost	Unrealized Gain
Equity securities:						
Lexington	\$ 217,934	\$ 72,549	\$ 145,385	\$ -	\$ -	\$ -
J.C. Penney	129,704	129,704	-	366,291	366,291	-
Other	35,349	12,513	22,836	31,897	12,466	19,431
	<u>\$ 382,987</u>	<u>\$ 214,766</u>	<u>\$ 168,221</u>	<u>\$ 398,188</u>	<u>\$ 378,757</u>	<u>\$ 19,431</u>

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

8. Investments in Partially Owned Entities

Toys “R” Us (“Toys”)

As of March 31, 2013, we own 32.5% of Toys. We account for our investment in Toys under the equity method and record our share of Toys’ net income or loss on a one-quarter lag basis because Toys’ fiscal year ends on the Saturday nearest January 31, and our fiscal year ends on December 31. The business of Toys is highly seasonal. Historically, Toys’ fourth quarter net income accounts for more than 80% of its fiscal year net income.

In the three months ended December 31, 2012, we recorded a \$40,000,000 non-cash impairment loss with regards to our investment in Toys and disclosed, that if current facts don’t change, our share of Toys’ undistributed income, which in accordance with the equity method of accounting, would increase the carrying amount of our investment above fair value, would require an offsetting impairment loss.

In the three months ended March 31, 2013, we recognized our 32.5% share of Toys’ fourth quarter net income of \$78,542,000 and a corresponding non-cash impairment loss of the same amount. Our income applicable to Toys after the impairment loss was \$1,759,000, representing management fees earned and received.

Below is a summary of Toys’ latest available financial information on a purchase accounting basis:

(Amounts in thousands)

Balance Sheet:

	Balance as of	
	February 2, 2013	October 27, 2012
Assets	\$ 11,920,000	\$ 12,953,000
Liabilities	9,921,000	11,190,000
Noncontrolling interests	49,000	44,000
Toys “R” Us, Inc. equity	1,950,000 (1)	1,719,000

Income Statement:

	For the Three Months Ended	
	February 2, 2013	January 28, 2012
Total revenues	\$ 5,770,000	\$ 5,925,000
Net income attributable to Toys	241,000	349,000

- (1) As of March 31, 2013, the carrying amount of our investment in Toys is less than our share of Toys’ equity by approximately \$141,270,000. This basis difference resulted primarily from non-cash impairment losses aggregating \$118,542,000 that we recognized in 2012 and 2013. We have allocated the basis difference to Toys’ intangible assets (primarily trade names and trademarks). The basis difference is not being amortized and will be recognized upon disposition of our investment.

Alexander’s, Inc. (“Alexander’s”) (NYSE: ALX)

As of March 31, 2013, we own 1,654,068 Alexander’s common shares, or approximately 32.4% of Alexander’s common equity. We manage, lease and develop Alexander’s properties pursuant to agreements which expire in March of each year and are automatically renewable. As of March 31, 2013, Alexander’s owed us \$45,623,000 in fees under these agreements.

As of March 31, 2013, the market value (“fair value” pursuant to ASC 820) of our investment in Alexander’s, based on Alexander’s March 31, 2013 closing share price of \$329.69, was \$545,330,000, or \$373,510,000 in excess of the carrying amount on our consolidated balance sheet. As of March 31, 2013, the carrying amount of our investment in Alexander’s, excluding amounts owed to us, exceeds our share of the equity in the net assets of Alexander’s by approximately \$43,595,000. The majority of this basis difference resulted from the excess of our purchase price for the Alexander’s common stock acquired over the book value of Alexander’s net assets. Substantially all of this basis difference was allocated, based on our estimates of the fair values of Alexander’s assets and liabilities, to real estate (land and buildings). We are amortizing the basis difference related to the buildings into earnings as additional depreciation expense over their estimated useful lives. This depreciation is not material to our share of equity in Alexander’s net income. The basis difference related to the land will be recognized upon disposition of our investment.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

8. Investments in Partially Owned Entities – continued

Alexander’s, Inc. (“Alexander’s”) (NYSE: ALX)- continued

Below is a summary of Alexander’s latest available financial information:

(Amounts in thousands)

Balance Sheet:	Balance as of	
	March 31, 2013	December 31, 2012
Assets	\$ 1,485,000	\$ 1,482,000
Liabilities	1,150,000	1,150,000
Stockholders' equity	335,000	332,000

Income Statement:	For the Three Months Ended	
	March 31, 2013	March 31, 2012
Total revenues	\$ 49,000	\$ 47,000
Net income attributable to Alexander’s	14,000	19,000

LNR Property LLC (“LNR”)

At March 31, 2013, we owned a 26.2% interest in LNR and accounted for our investment under the equity method. We recorded our share of LNR’s net income or loss on a one-quarter lag basis because we filed our consolidated financial statements on Form 10-K and 10-Q prior to receiving LNR’s consolidated financial statements.

Below is a summary of LNR’s latest available financial information:

(Amounts in thousands)

Balance Sheet:	Balance as of	
	December 31, 2012	September 30, 2012
Assets	\$ 92,267,000	\$ 98,530,000
Liabilities	91,204,000	97,643,000
Noncontrolling interests	8,000	8,000
LNR Property Corporation equity	1,055,000	879,000

Income Statement:	For the Three Months Ended	
	December 31, 2012	December 31, 2011
Total revenues	\$ 48,000	\$ 49,000
Net income attributable to LNR	176,000	51,000

In the three months ended March 31, 2013, we recognized our 26.2% share of LNR’s fourth quarter net income of \$18,731,000, which increased the carrying amount of our investment to approximately \$241,000,000. In the second quarter of 2013, LNR was sold for \$1.053 billion, and we received net proceeds of approximately \$241,000,000 for our interest. Pursuant to the sale agreement, we ceased receiving income as of January 1, 2013.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

8. Investments in Partially Owned Entities – continued

Below is a schedule of our investments in partially owned entities as of March 31, 2013 and December 31, 2012.

(Amounts in thousands)	Percentage Ownership at March 31, 2013	Balance as of	
Investments:		March 31, 2013	December 31, 2012
Toys	32.5 %	\$ 474,466	\$ 478,041
Alexander's	32.4 %	\$ 171,820	\$ 171,013
Lexington ⁽¹⁾	n/a	-	75,542
LNR (see page 14 for details)	26.2 %	241,377	224,724
India real estate ventures	4.0%-36.5%	94,691	95,516
Partially owned office buildings:			
280 Park Avenue	49.5 %	199,466	197,516
Rosslyn Plaza	43.7%-50.4%	61,827	62,627
West 57th Street properties	50.0 %	56,500	57,033
One Park Avenue	30.3 %	52,238	50,509
666 Fifth Avenue Office Condominium	49.5 %	37,212	35,527
330 Madison Avenue	25.0 %	31,581	30,277
Warner Building	55.0 %	10,118	8,775
Fairfax Square	20.0 %	5,299	5,368
Other partially owned office buildings	Various	8,942	9,315
Other investments:			
Downtown Crossing, Boston ⁽²⁾	50.0 %	46,309	48,122
Monmouth Mall	50.0 %	7,380	7,205
Other investments ⁽³⁾	Various	173,256	147,187
		<u>\$ 1,198,016</u>	<u>\$ 1,226,256</u>

(1) In the first quarter of 2013, we began accounting for our investment in Lexington as a marketable equity security - available for sale (see page 12 for details).

(2) On April 24, 2013, the joint venture sold the site in Downtown Crossing, Boston, and we received approximately \$45,000 for our 50% interest (see note 2 on page 16 for details).

(3) Includes interests in 85 10th Avenue, Fashion Centre Mall, 50-70 West 93rd Street and others.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

8. Investments in Partially Owned Entities - continued

Below is a schedule of income recognized from investments in partially owned entities for the three months ended March 31, 2013 and 2012.

(Amounts in thousands)	Percentage Ownership	For the Three Months Ended March 31,	
Our Share of Net Income (Loss):	March 31, 2013	2013	2012
Toys:	32.5 %		
Equity in net income before income taxes		\$ 137,888	\$ 157,387
Income tax expense		(59,346)	(43,203)
Equity in net income		78,542	114,184
Non-cash impairment loss (see page 13 for details)		(78,542)	-
Management fees		1,759	2,287
		<u>\$ 1,759</u>	<u>\$ 116,471</u>
Alexander's:	32.4 %		
Equity in net income		\$ 4,589	\$ 6,132
Management, leasing and development fees		1,487	1,889
		<u>6,076</u>	<u>8,021</u>
Lexington⁽¹⁾	n/a	<u>(979)</u>	<u>930</u>
LNR (see page 14 for details)	26.2 %	<u>18,731</u>	<u>13,250</u>
India real estate ventures	4.0%-36.5%	<u>(767)</u>	<u>(793)</u>
Partially owned office buildings:			
280 Park Avenue	49.5 %	(2,569)	(5,595)
Warner Building	55.0 %	(2,346)	(3,010)
666 Fifth Avenue Office Condominium	49.5 %	2,019	1,715
330 Madison Avenue	25.0 %	1,304	794
One Park Avenue	30.3 %	457	331
Rosslyn Plaza	43.7%-50.4%	(446)	158
1101 17th Street	55.0 %	384	683
West 57th Street properties	50.0 %	172	313
Fairfax Square	20.0 %	(45)	(12)
Other partially owned office buildings	Various	488	527
		<u>(582)</u>	<u>(4,096)</u>
Other investments:			
Downtown Crossing, Boston ⁽²⁾	50.0 %	(2,374)	(334)
Monmouth Mall	50.0 %	859	362
Independence Plaza ⁽³⁾	n/a	-	1,682
Other investments ⁽⁴⁾	Various	(198)	638
		<u>(1,713)</u>	<u>2,348</u>
		<u>\$ 20,766</u>	<u>\$ 19,660</u>

(1) In the first quarter of 2013, we began accounting for our investment in Lexington as a marketable equity security - available for sale (see page 12 for details).

(2) On April 24, 2013, the joint venture sold the site in Downtown Crossing, Boston, and we received approximately \$45,000 for our 50% interest. In connection therewith we recognized a \$2,335 impairment loss in the first quarter.

(3) In December 2012, we acquired a 58.75% interest in Independence Plaza and began to consolidate the accounts of the property into our consolidated financial statements.

(4) Includes interests in 85 10th Avenue, Fashion Centre Mall, 50-70 West 93rd Street and others.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

8. Investments in Partially Owned Entities – continued

Below is a summary of the debt of our partially owned entities as of March 31, 2013 and December 31, 2012, none of which is recourse to us.

(Amounts in thousands)	Percentage	Maturity	Interest	100% of	
	Ownership at		Rate at	Partially Owned Entities' Debt at	
	March 31,		March 31,	March 31,	December 31,
	2013		2013	2013	2012
Toys:	32.5 %				
Notes, loans and mortgages payable		2013-2021	7.71 %	\$ 5,294,567	\$ 5,683,733
Alexander's:	32.4 %				
Mortgages payable		2014-2018	3.85 %	\$ 1,061,953	\$ 1,065,916
Lexington⁽¹⁾:					
Mortgages payable		n/a	n/a	\$ -	\$ 1,994,179
LNR (sold in April 2013):	26.2 %				
Mortgages payable		2013-2031	4.62 %	\$ 383,804	\$ 309,787
Liabilities of consolidated CMBS and CDO trusts		n/a	5.38 %	90,735,416	97,211,734
				\$ 91,119,220	\$ 97,521,521
Partially owned office buildings:					
666 Fifth Avenue Office Condominium mortgage payable	49.5 %	02/19	6.76 %	\$ 1,124,402	\$ 1,109,700
280 Park Avenue mortgage payable	49.5 %	06/16	6.65 %	738,240	738,228
Warner Building mortgage payable	55.0 %	05/16	6.26 %	292,700	292,700
One Park Avenue mortgage payable	30.3 %	03/16	5.00 %	250,000	250,000
330 Madison Avenue mortgage payable	25.0 %	06/15	1.70 %	150,000	150,000
Fairfax Square mortgage payable	20.0 %	12/14	7.00 %	69,906	70,127
West 57th Street properties mortgages payable	50.0 %	02/14	4.94 %	20,088	20,434
1101 17th Street mortgage payable	55.0 %	01/15	1.45 %	31,000	31,000
Other	Various	Various	6.03 %	76,611	69,704
				\$ 2,752,947	\$ 2,731,893
India Real Estate Ventures:					
TCG Urban Infrastructure Holdings mortgages payable	25.0 %	2013-2022	13.51 %	\$ 238,359	\$ 236,579
Other:					
Monmouth Mall mortgage payable	50.0 %	09/15	5.44 %	159,459	159,896
Other ⁽²⁾	Various	Various	5.02 %	990,533	990,647
				\$ 1,149,992	\$ 1,150,543

(1) In the first quarter of 2013, we began accounting for our investment in Lexington as a marketable equity security - available for sale (see page 12 for details).

(2) Includes interests in Fashion Centre Mall, 50-70 West 93rd Street and others.

Based on our ownership interest in the partially owned entities above, our pro rata share of the debt of these partially owned entities was \$27,439,213,000 and \$29,443,128,000 at March 31, 2013 and December 31, 2012, respectively. Excluding our pro rata share of LNR's liabilities related to consolidated CMBS and CDO trusts, which are non-recourse to LNR and its equity holders, including us, our pro rata share of partially owned entities debt was \$3,690,125,000 and \$3,998,929,000 at March 31, 2013 and December 31, 2012, respectively.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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9. Discontinued Operations

2013 Activity:

On January 24, 2013, we completed the sale of the Green Acres Mall located in Valley Stream, New York, for \$500,000,000. The sale resulted in net proceeds of \$185,000,000, after repaying the existing loan and closing costs, and a net gain of \$202,275,000.

In the second quarter of 2013, we sold The Plant, a power strip shopping center in San Jose, California, for \$203,000,000. The sale resulted in net proceeds of approximately \$98,000,000, after repaying the existing loan and closing costs, and a net gain of approximately \$33,000,000, which will be recognized in the second quarter.

In the second quarter of 2013, we sold a retail property in Philadelphia, which is a part of the Gallery at Market Street, for \$60,000,000. The sale resulted in net proceeds of \$58,000,000, and a net gain of \$33,000,000, which will be recognized in the second quarter.

2012 Activity:

On January 6, 2012, we completed the sale of 350 West Mart Center, a 1.2 million square foot office building in Chicago, Illinois, for \$228,000,000, in cash, which resulted in a net gain of \$54,911,000.

In the first quarter of 2012, we sold seven retail properties in separate transactions, for an aggregate of \$83,670,000, in cash, which resulted in a net gain aggregating \$906,000.

We have reclassified the revenues and expenses of all of the properties discussed above, as well as certain other retail properties that are currently held for sale to “income from discontinued operations” and the related assets and liabilities to “assets related to discontinued operations” and “liabilities related to discontinued operations” for all of the periods presented in the accompanying financial statements. The tables below set forth the assets and liabilities related to discontinued operations at March 31, 2013 and December 31, 2012 and their combined results of operations for the three months ended March 31, 2013 and 2012.

(Amounts in thousands)	Assets Related to Discontinued Operations as of		Liabilities Related to Discontinued Operations as of	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
	Retail properties	\$ 229,081	\$ 532,463	\$ 103,609
Other properties	31,717	33,499	-	-
Total	\$ 260,798	\$ 565,962	\$ 103,609	\$ 420,508

(Amounts in thousands)	For the Three Months Ended March 31,	
	2013	2012
	Total revenues	\$ 23,686
Total expenses	17,440	44,379
	6,246	15,555
Net gain on sale of Green Acres Mall	202,275	-
Net gain on sale of 350 West Mart Center	-	54,911
Impairment loss	(1,514)	-
Net gains on sale of other real estate	54	906
Income from discontinued operations	\$ 207,061	\$ 71,372

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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10. Identified Intangible Assets and Liabilities

The following summarizes our identified intangible assets (primarily acquired in-place and above-market leases) and liabilities (primarily acquired below-market leases) as of March 31, 2013 and December 31, 2012.

(Amounts in thousands)	Balance as of	
	March 31, 2013	December 31, 2012
Identified intangible assets:		
Gross amount	\$ 756,982	\$ 774,200
Accumulated amortization	(363,211)	(350,162)
Net	\$ 393,771	\$ 424,038
Identified intangible liabilities (included in deferred revenue):		
Gross amount	\$ 906,705	\$ 904,640
Accumulated amortization	(355,018)	(342,338)
Net	\$ 551,687	\$ 562,302

Amortization of acquired below-market leases, net of acquired above-market leases, resulted in an increase to rental income of \$16,866,000 and \$13,774,000 for the three months ended March 31, 2013 and 2012, respectively. Estimated annual amortization of acquired below-market leases, net of acquired above-market leases, for each of the five succeeding years commencing January 1, 2014 is as follows:

(Amounts in thousands)	
2014	\$ 43,255
2015	40,188
2016	38,130
2017	32,777
2018	29,904

Amortization of all other identified intangible assets (a component of depreciation and amortization expense) was \$25,117,000 and \$11,240,000 for the three months ended March 31, 2013 and 2012, respectively. Estimated annual amortization of all other identified intangible assets including acquired in-place leases, customer relationships, and third party contracts for each of the five succeeding years commencing January 1, 2014 is as follows:

(Amounts in thousands)	
2014	\$ 45,044
2015	39,467
2016	21,002
2017	17,659
2018	12,722

We are a tenant under ground leases for certain properties. Amortization of these acquired below-market leases, net of above-market leases resulted in an increase to rent expense of \$1,198,000 and \$344,000 for the three months ended March 31, 2013 and 2012, respectively. Estimated annual amortization of these below-market leases, net of above-market leases for each of the five succeeding years commencing January 1, 2014 is as follows:

(Amounts in thousands)	
2014	\$ 3,526
2015	3,526
2016	3,526
2017	3,526
2018	3,526

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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11. Debt

The following is a summary of our debt:

(Amounts in thousands)		Interest Rate at	Balance at	
	Maturity (1)	March 31, 2013	March 31, 2013	December 31, 2012
Mortgages payable:				
Fixed rate:				
New York:				
1290 Avenue of the Americas (70% owned)	11/22	3.34 %	\$ 950,000	\$ 950,000
Two Penn Plaza	03/18	5.13 %	425,000	425,000
666 Fifth Avenue Retail Condominium ⁽²⁾	03/23	3.61 %	390,000	-
770 Broadway	03/16	5.65 %	353,000	353,000
888 Seventh Avenue	01/16	5.71 %	318,554	318,554
350 Park Avenue	01/17	3.75 %	300,000	300,000
909 Third Avenue	04/15	5.64 %	198,111	199,198
828-850 Madison Avenue Retail Condominium	06/18	5.29 %	80,000	80,000
510 5th Avenue	01/16	5.60 %	31,121	31,253
Washington, DC:				
Skyline Properties ⁽³⁾	02/17	5.74 %	715,127	704,957
River House Apartments	04/15	5.43 %	195,546	195,546
2101 L Street	08/24	3.97 %	150,000	150,000
2121 Crystal Drive	03/23	5.51 %	150,000	150,000
1215 Clark Street, 200 12th Street and 251 18th Street	01/25	7.09 %	105,237	105,724
Bowen Building	06/16	6.14 %	115,022	115,022
West End 25	06/21	4.88 %	101,671	101,671
Universal Buildings	04/14	6.52 %	91,935	93,226
2011 Crystal Drive	08/17	7.30 %	79,379	79,624
220 20th Street	02/18	4.61 %	73,618	73,939
1550 and 1750 Crystal Drive	11/14	7.08 %	73,329	74,053
2231 Crystal Drive	08/13	7.08 %	40,862	41,298
1225 Clark Street	08/13	7.08 %	24,442	24,834
Retail Properties:				
Cross-collateralized mortgages on 40 strip shopping centers	09/20	4.24 %	570,049	573,180
Bergen Town Center ⁽⁴⁾	04/23	3.56 %	300,000	-
Montehiedra Town Center	07/16	6.04 %	120,000	120,000
Broadway Mall	07/13	5.30 %	84,497	85,180
North Bergen (Tonnel Avenue)	01/18	4.59 %	75,000	75,000
Las Catalinas Mall	11/13	6.97 %	53,787	54,101
Other	06/14-05/36	5.12%-7.30%	86,208	86,641
Other:				
555 California Street (70% owned)	09/21	5.10 %	600,000	600,000
Merchandise Mart	12/16	5.57 %	550,000	550,000
Borgata Land	02/21	5.14 %	59,938	60,000
Total fixed rate mortgages payable		4.94 %	\$ 7,461,433	\$ 6,771,001

See notes on page 22.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

11. Debt - continued

(Amounts in thousands)

Mortgages payable:	Maturity (1)	Spread over LIBOR	Interest Rate at March 31, 2013	Balance at	
Variable rate:				March 31, 2013	December 31, 2012
New York:					
Eleven Penn Plaza	01/19	L+235	2.55 %	\$ 330,000	\$ 330,000
Independence Plaza (58.75% owned)	08/13	L+92	1.15 %	327,375	334,225
100 West 33rd Street - office & retail	03/17	L+250	2.70 %	325,000	325,000
4 Union Square South - retail	11/19	L+215	2.35 %	120,000	120,000
435 Seventh Avenue - retail	08/19	L+225	2.45 %	98,000	98,000
866 UN Plaza	05/16	L+125	1.45 %	44,978	44,978
Washington, DC:					
River House Apartments	04/18	n/a ⁽⁵⁾	1.63 %	64,000	64,000
2200 / 2300 Clarendon Boulevard	01/15	L+75	0.95 %	45,841	47,353
1730 M and 1150 17th Street	06/14	L+140	1.60 %	43,581	43,581
Retail:					
Cross-collateralized mortgages on 40 strip shopping centers ⁽⁶⁾	09/20	L+136 ⁽⁶⁾	2.36 %	60,000	60,000
Bergen Town Center ⁽⁴⁾	n/a	n/a	n/a	-	282,312
Other	05/15	L+375	3.96 %	19,126	19,126
Other:					
220 Central Park South	10/13	L+275	2.95 %	123,750	123,750
Total variable rate mortgages payable			2.18 %	<u>1,601,651</u>	<u>1,892,325</u>
Total mortgages payable			4.45 %	<u>\$ 9,063,084</u>	<u>\$ 8,663,326</u>
Senior unsecured notes:					
Senior unsecured notes due 2015	04/15		4.25 %	\$ 499,669	\$ 499,627
Senior unsecured notes due 2039 ⁽⁷⁾	10/39		7.88 %	460,000	460,000
Senior unsecured notes due 2022	01/22		5.00 %	398,426	398,381
Total senior unsecured notes			5.70 %	<u>\$ 1,358,095</u>	<u>\$ 1,358,008</u>
Unsecured revolving credit facilities:					
\$1.25 billion unsecured revolving credit facility	11/16	L+125	-	\$ -	\$ 1,150,000
\$1.25 billion unsecured revolving credit facility (\$22,167 reserved for outstanding letters of credit) ⁽⁸⁾	06/18	L+115	-	-	20,000
Total unsecured revolving credit facilities			-	<u>\$ -</u>	<u>\$ 1,170,000</u>

See notes on the following page.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

11. Debt - continued

Notes to preceding tabular information (amounts in thousands):

- (1) Represents the extended maturity for certain loans in which we have the unilateral right, ability and intent to extend.
- (2) On February 20, 2013, we completed a \$390,000 financing of this property. The 10-year fixed-rate interest only loan bears interest at 3.61%. This property was previously unencumbered.
- (3) In 2012, due to the rising vacancy rate at the Skyline properties (43.4% at March 31, 2013), primarily from the effects of the Base Realignment and Closure statute; insufficient cash flows to pay current obligations, including interest payments to the lender; and the significant amount of capital required to re-tenant these properties, we requested that the mortgage loan be transferred to the special servicer. In connection therewith, we entered into a forbearance agreement with the special servicer, that provides for interest shortfalls to be deferred and added to the principal balance of the loan and not give rise to a loan default. The forbearance agreement was amended on March 28, 2013, to extend its maturity through June 1, 2013. As of March 31, 2013, the deferred interest amounted to \$37,127. We continue to negotiate with the special servicer to restructure the terms of the loan.
- (4) On March 25, 2013, we completed a \$300,000 financing of this property. The 10-year fixed-rate interest only loan bears interest at 3.56%. The property was previously encumbered by a \$282,000 floating-rate loan.
- (5) Interest at the Freddie Mac Reference Note Rate plus 1.53%.
- (6) LIBOR floor of 1.00%.
- (7) May be redeemed at our option in whole or in part beginning on October 1, 2014, at a price equal to the principal amount plus accrued interest.
- (8) On March 28, 2013, we extended this revolving credit facility from June 2015 to June 2017, with two six-month extension options. The interest on the extended facility was reduced from LIBOR plus 135 basis points to LIBOR plus 115 basis points. In addition, the facility fee was reduced from 30 basis points to 20 basis points.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

12. Redeemable Noncontrolling Interests

Redeemable noncontrolling interests on our consolidated balance sheets represent Operating Partnership units held by third parties and are comprised of Class A units and Series D-15 and D-16 cumulative redeemable preferred units. Redeemable noncontrolling interests on our consolidated balance sheets are recorded at the greater of their carrying amount or redemption value at the end of each reporting period. Changes in the value from period to period are charged to “additional capital” in our consolidated statements of changes in equity. Below is a table summarizing the activity of redeemable noncontrolling interests.

(Amounts in thousands)	
Balance at December 31, 2011	\$ 1,160,677
Net income	19,145
Distributions	(12,236)
Conversion of Class A units into common shares, at redemption value	(13,028)
Adjustments to carry redeemable Class A units at redemption value	96,061
Other, net	280
Balance at March 31, 2012	<u>\$ 1,250,899</u>
Balance at December 31, 2012	\$ 944,152
Net income	14,719
Distributions	(8,946)
Conversion of Class A units into common shares, at redemption value	(13,404)
Adjustments to carry redeemable Class A units at redemption value	44,998
Other, net	13,563
Balance at March 31, 2013	<u>\$ 995,082</u>

As of March 31, 2013 and December 31, 2012, the aggregate redemption value of redeemable Class A units was \$949,082,000 and \$898,152,000, respectively.

Redeemable noncontrolling interests exclude our Series G-1 through G-4 convertible preferred units and Series D-13 cumulative redeemable preferred units, as they are accounted for as liabilities in accordance with ASC 480, *Distinguishing Liabilities and Equity*, because of their possible settlement by issuing a variable number of Vornado common shares. Accordingly, the fair value of these units is included as a component of “other liabilities” on our consolidated balance sheets and aggregated \$55,097,000 and \$55,011,000 as of March 31, 2013 and December 31, 2012, respectively.

13. Shareholders’ Equity

On January 25, 2013, we sold 12,000,000 5.40% Series L Cumulative Redeemable Preferred Shares at a price of \$25.00 per share in an underwritten public offering pursuant to an effective registration statement. We retained aggregate net proceeds of \$290,710,000, after underwriters’ discounts and issuance costs and contributed the net proceeds to the Operating Partnership in exchange for 12,000,000 Series L Preferred Units (with economic terms that mirror those of the Series L Preferred Shares). Dividends on the Series L Preferred Shares are cumulative and payable quarterly in arrears. The Series L Preferred Shares are not convertible into, or exchangeable for, any of our properties or securities. On or after five years from the date of issuance (or sooner under limited circumstances), we may redeem the Series L Preferred Shares at a redemption price of \$25.00 per share, plus accrued and unpaid dividends through the date of redemption. The Series L Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

On February 19, 2013, we redeemed all of the outstanding 6.75% Series F Cumulative Redeemable Preferred Shares and 6.75% Series H Cumulative Redeemable Preferred Shares at par, for an aggregate of \$262,500,000 in cash, plus accrued and unpaid dividends through the date of redemption.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

14. Accumulated Other Comprehensive Income

The following table sets forth the changes in accumulated other comprehensive income (loss) (“OCI”) by component.

(Amounts in thousands)	For the three months ended March 31, 2013				
	Total	Securities available- for-sale	Pro-rata share of non-consolidated subsidiaries' OCI	Interest rate swap	Other
Balance as of December 31, 2012	\$ (18,946)	\$ 19,432	\$ 11,313	\$ (50,065)	\$ 374
Other comprehensive income (loss) ⁽¹⁾	139,899	148,789	(3,647)	2,523	(7,766)
Balance as of March 31, 2013	<u>\$ 120,953</u>	<u>\$ 168,221</u>	<u>\$ 7,666</u>	<u>\$ (47,542)</u>	<u>\$ (7,392)</u>

(1) In the three months ended March 31, 2013, there were no amounts reclassified from accumulated other comprehensive income.

15. Variable Interest Entities

Consolidated Variable Interest Entities

As of March 31, 2013, we have variable interests in Independence Plaza. We consolidate this entity because we are deemed to be the primary beneficiary and have the power to direct the activities of the entity that most significantly affect economic performance and the obligation to absorb losses and right to receive benefits that could potentially be significant to the entity. The table below summarizes the assets and liabilities of the entity. The liabilities are secured only by the assets of the entity, and are non-recourse to us.

(Amounts in thousands)	As of March 31, 2013	As of December 31, 2012
Total assets	<u>\$ 942,780</u>	<u>\$ 957,730</u>
Total liabilities	<u>\$ 431,110</u>	<u>\$ 443,894</u>

Unconsolidated Variable Interest Entities

As of March 31, 2013, we also have a variable interest in the Warner Building. We do not consolidate this entity because we are not deemed to be the primary beneficiary and the nature of our involvement in the activities of the entity does not give us power over decisions that significantly affect the entity’s economic performance. We account for our interest in the entity under the equity method of accounting (see Note 8 – *Investments in Partially Owned Entities*). As of March 31, 2013 and December 31, 2012, the carrying amount of our investment in this entity was \$10,118,000 and \$8,775,000, respectively, and our maximum exposure to loss is limited to our investment.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

16. Fair Value Measurements

ASC 820, *Fair Value Measurement and Disclosures* defines fair value and establishes a framework for measuring fair value. The objective of fair value is to determine the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels: Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities; Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and Level 3 – unobservable inputs that are used when little or no market data is available. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as consider counterparty credit risk in our assessment of fair value. Considerable judgment is necessary to interpret Level 2 and 3 inputs in determining the fair value of our financial and non-financial assets and liabilities. Accordingly, our fair value estimates, which are made at the end of each reporting period, may be different than the amounts that may ultimately be realized upon sale or disposition of these assets.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

Financial assets and liabilities that are measured at fair value in our consolidated financial statements consist of (i) marketable securities, (ii) Real Estate Fund investments, (iii) the assets in our deferred compensation plan (for which there is a corresponding liability on our consolidated balance sheet), (iv) derivative positions in marketable equity securities, (v) interest rate swaps and (vi) mandatorily redeemable instruments (Series G-1 through G-4 convertible preferred units and Series D-13 cumulative redeemable preferred units). The tables below aggregate the fair values of these financial assets and liabilities by their levels in the fair value hierarchy at March 31, 2013 and December 31, 2012, respectively.

(Amounts in thousands)	As of March 31, 2013			
	Total	Level 1	Level 2	Level 3
Marketable securities	\$ 382,987	\$ 382,987	\$ -	\$ -
Real Estate Fund investments (75% of which is attributable to noncontrolling interests)	571,306	-	-	571,306
Deferred compensation plan assets (included in other assets)	109,483	44,473	-	65,010
J.C. Penney derivative position (included in other assets) ⁽¹⁾	8,247	-	8,247	-
Total assets	\$ 1,072,023	\$ 427,460	\$ 8,247	\$ 636,316
Mandatorily redeemable instruments (included in other liabilities)	\$ 55,097	\$ 55,097	\$ -	\$ -
Interest rate swap (included in other liabilities)	47,547	-	47,547	-
Total liabilities	\$ 102,644	\$ 55,097	\$ 47,547	\$ -

(1) Represents the cash deposited with the counterparty in excess of the mark-to-market loss on the derivative position.

(Amounts in thousands)	As of December 31, 2012			
	Total	Level 1	Level 2	Level 3
Marketable securities	\$ 398,188	\$ 398,188	\$ -	\$ -
Real Estate Fund investments (75% of which is attributable to noncontrolling interests)	600,786	-	-	600,786
Deferred compensation plan assets (included in other assets)	105,200	42,569	-	62,631
J.C. Penney derivative position (included in other assets) ⁽¹⁾	11,165	-	11,165	-
Total assets	\$ 1,115,339	\$ 440,757	\$ 11,165	\$ 663,417
Mandatorily redeemable instruments (included in other liabilities)	\$ 55,011	\$ 55,011	\$ -	\$ -
Interest rate swap (included in other liabilities)	50,070	-	50,070	-
Total liabilities	\$ 105,081	\$ 55,011	\$ 50,070	\$ -

(1) Represents the cash deposited with the counterparty in excess of the mark-to-market loss on the derivative position.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

16. Fair Value Measurements – continued

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis - continued

Real Estate Fund Investments

At March 31, 2013, our Real Estate Fund had nine investments with an aggregate fair value of \$571,306,000, or \$81,158,000 in excess of cost. These investments are classified as Level 3. We use a discounted cash flow valuation technique to estimate the fair value of each of these investments, which is updated quarterly by personnel responsible for the management of each investment and reviewed by senior management at each reporting period. The discounted cash flow valuation technique requires us to estimate cash flows for each investment over the anticipated holding period, which currently ranges from 1.3 to 7.3 years. Cash flows are derived from property rental revenue (base rents plus reimbursements) less operating expenses, real estate taxes and capital and other costs, plus projected sales proceeds in the year of exit. Property rental revenue is based on leases currently in place and our estimates for future leasing activity, which are based on current market rents for similar space plus a projected growth factor. Similarly, estimated operating expenses and real estate taxes are based on amounts incurred in the current period plus a projected growth factor for future periods. Anticipated sales proceeds at the end of an investment's expected holding period are determined based on the net cash flow of the investment in the year of exit, divided by a terminal capitalization rate, less estimated selling costs.

The fair value of each property is calculated by discounting the future cash flows (including the projected sales proceeds), using an appropriate discount rate and then reduced by the property's outstanding debt, if any, to determine the fair value of the equity in each investment. Significant unobservable quantitative inputs used in determining the fair value of each investment include capitalization rates and discount rates. These rates are based on the location, type and nature of each property, and current and anticipated market conditions, which are derived from original underwriting assumptions, industry publications and from the experience of our Acquisitions and Capital Markets departments. Significant unobservable quantitative inputs in the table below were utilized in determining the fair value of these Fund investments at March 31, 2013.

<u>Unobservable Quantitative Input</u>	<u>Range</u>	<u>Weighted Average (based on fair value of investments)</u>
Discount rates	12.5% to 19.0%	14.4 %
Terminal capitalization rates	5.3% to 6.3%	5.8 %

The above inputs are subject to change based on changes in economic and market conditions and/or changes in use or timing of exit. Changes in discount rates and terminal capitalization rates result in increases or decreases in the fair values of these investments. The discount rates encompass, among other things, uncertainties in the valuation models with respect to terminal capitalization rates and the amount and timing of cash flows. Therefore, a change in the fair value of these investments resulting from a change in the terminal capitalization rate, may be partially offset by a change in the discount rate. It is not possible for us to predict the effect of future economic or market conditions on our estimated fair values.

The table below summarizes the changes in the fair value of Fund investments that are classified as Level 3, for the three months ended March 31, 2013 and 2012.

(Amounts in thousands)	Real Estate Investments	
	For the Three Months Ended March 31,	
	2013	2012
Beginning balance	\$ 600,786	\$ 346,650
Purchases	13,668	-
Sales>Returns	(56,664)	(31,052)
Unrealized gains	13,516	6,844
Other, net	-	2,072
Ending balance	<u>\$ 571,306</u>	<u>\$ 324,514</u>

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

16. Fair Value Measurements – continued

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis - continued

Deferred Compensation Plan Assets

Deferred compensation plan assets that are classified as Level 3 consist of investments in limited partnerships and investment funds, which are managed by third parties. We receive quarterly financial reports from a third-party administrator, which are compiled from the quarterly reports provided to them from each limited partnership and investment fund. The quarterly reports provide net asset values on a fair value basis which are audited by independent public accounting firms on an annual basis. The third-party administrator does not adjust these values in determining our share of the net assets and we do not adjust these values when reported in our consolidated financial statements.

The table below summarizes the changes in the fair value of Deferred Compensation Plan Assets that are classified as Level 3, for the three months ended March 31, 2013 and 2012.

(Amounts in thousands)	Deferred Compensation Plan Assets	
	For the Three Months Ended March 31,	
	2013	2012
Beginning balance	\$ 62,631	\$ 56,221
Purchases	2,707	3,611
Sales	(2,697)	(3,395)
Realized and unrealized gains	1,354	2,392
Other, net	1,015	52
Ending balance	<u>\$ 65,010</u>	<u>\$ 58,881</u>

Fair Value Measurements on a Nonrecurring Basis

Assets measured at fair value on a nonrecurring basis on our consolidated balance sheets consist primarily of our investment in Toys "R" Us and real estate assets that have been written-down to estimated fair value during 2013 and 2012. The fair values of these assets are determined using widely accepted valuation techniques, including (i) discounted cash flow analysis, which considers, among other things, leasing assumptions, growth rates, discount rates and terminal capitalization rates, (ii) income capitalization approach, which considers prevailing market capitalization rates, and (iii) comparable sales activity. Generally, we consider multiple valuation techniques when measuring fair values but in certain circumstances, a single valuation technique may be appropriate. The tables below aggregate the fair values of these assets by their levels in the fair value hierarchy.

(Amounts in thousands)	As of March 31, 2013			
	Total	Level 1	Level 2	Level 3
Investment in Toys "R" Us	<u>\$ 474,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 474,466</u>

(Amounts in thousands)	As of December 31, 2012			
	Total	Level 1	Level 2	Level 3
Investment in Toys "R" Us	\$ 478,041	\$ -	\$ -	\$ 478,041
Real estate assets	189,529	-	-	189,529
Condominium units (included in other assets)	52,142	-	-	52,142
Total assets	<u>\$ 719,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719,712</u>

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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16. Fair Value Measurements – continued

Financial Assets and Liabilities not Measured at Fair Value

Financial assets and liabilities that are not measured at fair value on our consolidated balance sheets include cash equivalents (primarily money market funds, which invest in obligations of the United States government), mortgage and mezzanine loans receivable and our secured and unsecured debt. Estimates of the fair value of these instruments are determined by the standard practice of modeling the contractual cash flows required under the instrument and discounting them back to their present value at the appropriate current risk adjusted interest rate, which is provided by a third-party specialist. For floating rate debt, we use forward rates derived from observable market yield curves to project the expected cash flows we would be required to make under the instrument. The fair value of cash equivalents is classified as Level 1 and the fair value of our mortgage and mezzanine loans receivable is classified as Level 3. The fair value of our secured and unsecured debt are classified as Level 2. The table below summarizes the carrying amounts and fair value of these financial instruments as of March 31, 2013 and December 31, 2012.

(Amounts in thousands)	As of March 31, 2013		As of December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash equivalents	\$ 355,650	\$ 355,650	\$ 543,000	\$ 543,000
Mortgage and mezzanine loans receivable	225,221	230,044	225,359	221,446
	<u>\$ 580,871</u>	<u>\$ 585,694</u>	<u>\$ 768,359</u>	<u>\$ 764,446</u>
Debt:				
Mortgages payable	\$ 9,063,084	\$ 9,202,000	\$ 8,663,326	\$ 8,690,000
Senior unsecured notes	1,358,095	1,471,000	1,358,008	1,468,000
Revolving credit facility debt	-	-	1,170,000	1,170,000
	<u>\$ 10,421,179</u>	<u>\$ 10,673,000</u>	<u>\$ 11,191,334</u>	<u>\$ 11,328,000</u>

17. Incentive Compensation

Our 2010 Omnibus Share Plan (the “Plan”) provides for grants of incentive and non-qualified stock options, restricted stock, restricted Operating Partnership units and out-performance plan rewards to certain of our employees and officers. We account for all stock-based compensation in accordance ASC 718, *Compensation – Stock Compensation*. Stock-based compensation expense was \$7,466,000 and \$6,609,000 in the three months ended March 31, 2013 and 2012, respectively.

On March 15, 2013, our Compensation Committee (the “Committee”) approved the 2013 Outperformance Plan, a performance-based equity compensation plan and related form of award agreement (the “2013 OPP”). Under the 2013 OPP, participants have the opportunity to earn compensation payable in the form of operating partnership units in the second and/or third year during a three-year performance measurement period, if and only if, we outperform a predetermined total shareholder return (“TSR”) and/or outperform the market with respect to relative total TSR. Awards under our 2013 OPP may be earned if (i) we achieve a TSR greater than 14% over the two-year performance measurement period, or 21% over the three-year performance measurement period (the “Absolute Component”), and/or (ii) we achieve a TSR above that of the SNL US REIT Index (the “Index”) over a two-year or three-year performance measurement period (the “Relative Component”). To the extent awards would be earned under the Absolute Component but we underperform the Index, such awards earned would be reduced (and potentially fully negated) based on the degree to which we underperform the Index. In certain circumstances, in the event we outperform the Index but awards would not otherwise be fully earned under the Absolute Component, awards may be increased under the Relative Component. To the extent awards would otherwise be earned under the Relative Component but we fail to achieve at least a 6% per annum absolute TSR, such awards earned under the Relative Component would be reduced based on our absolute TSR performance, with no awards being earned in the event our TSR during the applicable measurement period is 0% or negative, irrespective of the degree to which we may outperform the Index. If the designated performance objectives are achieved, OPP Units are also subject to time-based vesting requirements. Awards earned under the 2013 OPP vest 33% in year three, 33% in year four and 34% in year five. Dividends on awards earned accrue during the performance measurement period. In addition, our executive officers (for the purposes of Section 16 of the Exchange Act) are required to hold earned OPP awards for one year following vesting.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

18. Fee and Other Income

The following table sets forth the details of fee and other income:

(Amounts in thousands)	For the Three Months Ended March 31,	
	2013	2012
BMS cleaning fees	\$ 16,664	\$ 15,510
Signage revenue	6,481	4,590
Management and leasing fees	5,258	4,754
Lease termination fees ⁽¹⁾	60,026	411
Other income	8,796	8,013
	\$ 97,225	\$ 33,278

(1) On February 6, 2013, we received \$124,000,000 pursuant to a settlement agreement with Stop & Shop, which terminates our right to receive \$6,000,000 of additional annual rent under a 1992 agreement, for a period potentially through 2031. As a result of this settlement, we collected a \$47,900,000 receivable and recognized \$59,599,000 of income in the quarter ended March 31, 2013.

Management and leasing fees include management fees from Interstate Properties, a related party, of \$202,000 and \$199,000 for the three months ended March 31, 2013 and 2012, respectively. The above table excludes fee income from partially owned entities, which is typically included in "income from partially owned entities" (see Note 8 – *Investments in Partially Owned Entities*).

19. Interest and Other Investment (Loss) Income, Net

The following table sets forth the details of interest and other investment (loss) income:

(Amounts in thousands)	For the Three Months Ended March 31,	
	2013	2012
Non-cash impairment loss on J.C. Penney owned shares	\$ (39,487)	\$ -
(Loss) income from the mark-to-market of J.C. Penney derivative position	(22,540)	1,045
Interest on mezzanine loans receivable	5,077	2,851
Mark-to-market of investments in our deferred compensation plan ⁽¹⁾	3,446	4,127
Dividends and interest on marketable securities	2,770	6,247
Other, net	1,660	1,395
	\$ (49,074)	\$ 15,665

(1) This income is entirely offset by the expense resulting from the mark-to-market of the deferred compensation plan liability, which is included in "general and administrative" expense.

20. Interest and Debt Expense

The following table sets forth the details of interest and debt expense:

(Amounts in thousands)	For the Three Months Ended March 31,	
	2013	2012
Interest expense	\$ 124,726	\$ 124,647
Amortization of deferred financing costs	5,422	5,428
Capitalized interest	(8,260)	(16)
	\$ 121,888	\$ 130,059

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

21. Income Per Share

The following table provides a reconciliation of both net income and the number of common shares used in the computation of (i) basic income per common share - which includes the weighted average number of common shares outstanding without regard to dilutive potential common shares, and (ii) diluted income per common share - which includes the weighted average common shares and dilutive share equivalents. Dilutive share equivalents may include our Series A convertible preferred shares, employee stock options and restricted stock and exchangeable senior debentures in 2012.

(Amounts in thousands, except per share amounts)	For the Three Months	
	Ended March 31,	
	2013	2012
Numerator:		
Income from continuing operations, net of income attributable to noncontrolling interests	\$ 67,592	\$ 183,628
Income from discontinued operations, net of income attributable to noncontrolling interests	195,330	67,894
Net income attributable to Vornado	262,922	251,522
Preferred share dividends	(21,702)	(17,787)
Preferred share redemptions	(9,230)	-
Net income attributable to common shareholders	231,990	233,735
Earnings allocated to unvested participating securities	(56)	(69)
Numerator for basic income per share	231,934	233,666
Impact of assumed conversions:		
Interest on 3.88% exchangeable senior debentures	-	6,626
Convertible preferred share dividends	28	29
Numerator for diluted income per share	<u>\$ 231,962</u>	<u>\$ 240,321</u>
Denominator:		
Denominator for basic income per share – weighted average shares	186,752	185,370
Effect of dilutive securities ⁽¹⁾ :		
3.88% exchangeable senior debentures	-	5,736
Employee stock options and restricted share awards	727	730
Convertible preferred shares	50	50
Denominator for diluted income per share – weighted average shares and assumed conversions	<u>187,529</u>	<u>191,886</u>
INCOME PER COMMON SHARE – BASIC:		
Income from continuing operations, net	\$ 0.20	\$ 0.90
Income from discontinued operations, net	1.04	0.36
Net income per common share	<u>\$ 1.24</u>	<u>\$ 1.26</u>
INCOME PER COMMON SHARE – DILUTED:		
Income from continuing operations, net	\$ 0.20	\$ 0.90
Income from discontinued operations, net	1.04	0.35
Net income per common share	<u>\$ 1.24</u>	<u>\$ 1.25</u>

(1) The effect of dilutive securities in the three months ended March 31, 2013 and 2012 excludes an aggregate of 11,997 and 12,943 weighted average common share equivalents, respectively, as their effect was anti-dilutive.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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22. Commitments and Contingencies

Insurance

We maintain general liability insurance with limits of \$300,000,000 per occurrence and all risk property and rental value insurance with limits of \$2.0 billion per occurrence, including coverage for terrorist acts, with sub-limits for certain perils such as floods. Our California properties have earthquake insurance with coverage of \$180,000,000 per occurrence, subject to a deductible in the amount of 5% of the value of the affected property, up to a \$180,000,000 annual aggregate.

Penn Plaza Insurance Company, LLC ("PPIC"), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to a portion of all risk property and rental value insurance and a portion of our earthquake insurance coverage, and as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological ("NBCR") acts, as defined by the Terrorism Risk Insurance Program Reauthorization Act. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to PPIC. Coverage for NBCR losses is up to \$2.0 billion per occurrence, for which PPIC is responsible for a deductible of \$3,200,000 and 15% of the balance of a covered loss and the Federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any losses incurred by PPIC.

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years.

Our debt instruments, consisting of mortgage loans secured by our properties which are non-recourse to us, senior unsecured notes and revolving credit agreements contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain it could adversely affect our ability to finance our properties and expand our portfolio.

Other Commitments and Contingencies

We are from time to time involved in legal actions arising in the ordinary course of business. In our opinion, after consultation with legal counsel, the outcome of such matters is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

Each of our properties has been subjected to varying degrees of environmental assessment at various times. The environmental assessments did not reveal any material environmental contamination. However, there can be no assurance that the identification of new areas of contamination, changes in the extent or known scope of contamination, the discovery of additional sites, or changes in cleanup requirements would not result in significant costs to us.

Our mortgage loans are non-recourse to us. However, in certain cases we have provided guarantees or master leased tenant space. These guarantees and master leases terminate either upon the satisfaction of specified circumstances or repayment of the underlying loans. As of March 31, 2013, the aggregate dollar amount of these guarantees and master leases is approximately \$305,000,000.

At March 31, 2013, \$22,167,000 of letters of credit were outstanding under one of our revolving credit facilities. Our credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provide for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our credit facilities also contain customary conditions precedent to borrowing, including representations and warranties, and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

Two of our wholly owned subsidiaries that are contracted to develop and operate the Cleveland Medical Mart and Convention Center, in Cleveland, Ohio, are required to fund \$11,500,000, primarily for tenant improvements, and they are responsible for operating expenses and are entitled to the net operating income, if any, upon the completion of development and the commencement of operations. As of March 31, 2013, our subsidiaries have funded approximately \$4,000,000 of the commitment.

As of March 31, 2013, we expect to fund additional capital to certain of our partially owned entities aggregating approximately \$169,000,000.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

23. Segment Information

As a result of certain organizational changes and asset sales in 2012, the Merchandise Mart segment no longer meets the criteria to be a separate reportable segment; accordingly, effective January 1, 2013, the remaining assets have been reclassified to our Other segment. We have also reclassified the prior period segment financial results to conform to the current year presentation. Below is a summary of net income and a reconciliation of net income to EBITDA⁽¹⁾ by segment for the three months ended March 31, 2013 and 2012.

(Amounts in thousands)

	For the Three Months Ended March 31, 2013					
	Total	New York	Washington, DC	Retail Properties	Toys	Other
Property rentals	\$ 499,237	\$ 274,650	\$ 112,272	\$ 65,134	\$ -	\$ 47,181
Straight-line rent adjustments	18,532	10,326	2,777	1,482	-	3,947
Amortization of acquired below-market leases, net	16,866	12,089	506	2,922	-	1,349
Total rentals	534,635	297,065	115,555	69,538	-	52,477
Tenant expense reimbursements	77,013	42,671	10,136	20,633	-	3,573
Cleveland Medical Mart development project	12,143	-	-	-	-	12,143
Fee and other income:						
BMS cleaning fees	16,664	21,022	-	-	-	(4,358)
Signage revenue	6,481	6,481	-	-	-	-
Management and leasing fees	5,258	2,064	2,807	479	-	(92)
Lease termination fees	60,026	58	368	59,599	-	1
Other income	8,796	715	5,865	577	-	1,639
Total revenues	721,016	370,076	134,731	150,826	-	65,383
Operating expenses	260,569	160,231	47,322	34,695	-	18,321
Depreciation and amortization	142,354	76,234	30,950	16,990	-	18,180
General and administrative	54,582	8,822	6,925	5,415	-	33,420
Cleveland Medical Mart development project	11,374	-	-	-	-	11,374
Acquisition related costs	601	-	-	-	-	601
Total expenses	469,480	245,287	85,197	57,100	-	81,896
Operating income (loss)	251,536	124,789	49,534	93,726	-	(16,513)
Income applicable to Toys	1,759	-	-	-	1,759	-
Income (loss) from partially owned entities	20,766	5,605	(2,093)	901	-	16,353
Income from Real Estate Fund	16,564	-	-	-	-	16,564
Interest and other investment (loss) income, net	(49,074)	1,165	76	52	-	(50,367)
Interest and debt expense	(121,888)	(40,618)	(28,250)	(11,641)	-	(41,379)
Net loss on disposition of wholly owned and partially owned assets	(36,724)	-	-	-	-	(36,724)
Income (loss) before income taxes	82,939	90,941	19,267	83,038	1,759	(112,066)
Income tax expense	(1,073)	(272)	(378)	-	-	(423)
Income (loss) from continuing operations	81,866	90,669	18,889	83,038	1,759	(112,489)
Income from discontinued operations	207,061	-	-	206,642	-	419
Net income (loss)	288,927	90,669	18,889	289,680	1,759	(112,070)
Less net income attributable to noncontrolling interests in:						
Consolidated subsidiaries	(11,286)	(1,581)	-	(96)	-	(9,609)
Operating Partnership	(13,933)	-	-	-	-	(13,933)
Preferred unit distributions of the Operating Partnership	(786)	-	-	-	-	(786)
Net income (loss) attributable to Vornado	262,922	89,088	18,889	289,584	1,759	(136,398)
Interest and debt expense ⁽²⁾	188,780	49,689	31,753	14,223	43,182	49,933
Depreciation and amortization ⁽²⁾	194,185	78,413	35,148	18,519	37,674	24,431
Income tax expense ⁽²⁾	60,759	347	454	-	59,346	612
EBITDA ⁽¹⁾	<u>\$ 706,646</u>	<u>\$ 217,537 (3)</u>	<u>\$ 86,244</u>	<u>\$ 322,326 (4)</u>	<u>\$ 141,961</u>	<u>\$ (61,422)(5)</u>

See notes on page 34.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

23. Segment Information – continued

(Amounts in thousands)

	For the Three Months Ended March 31, 2012					
	Retail					
	Total	New York	Washington, DC	Properties	Toys	Other
Property rentals	\$ 474,989	\$ 233,936	\$ 122,804	\$ 65,150	\$ -	\$ 53,099
Straight-line rent adjustments	21,348	17,129	1,857	1,333	-	1,029
Amortization of acquired below-market leases, net	13,774	7,695	523	4,188	-	1,368
Total rentals	510,111	258,760	125,184	70,671	-	55,496
Tenant expense reimbursements	70,793	36,712	10,008	21,272	-	2,801
Cleveland Medical Mart development project	55,059	-	-	-	-	55,059
Fee and other income:						
BMS cleaning fees	15,510	22,647	-	-	-	(7,137)
Signage revenue	4,590	4,590	-	-	-	-
Management and leasing fees	4,754	1,108	2,783	836	-	27
Lease termination fees	411	23	-	-	-	388
Other income	8,013	1,757	5,590	341	-	325
Total revenues	669,241	325,597	143,565	93,120	-	106,959
Operating expenses	246,746	145,672	46,202	35,250	-	19,622
Depreciation and amortization	131,541	53,759	42,553	17,907	-	17,322
General and administrative	55,290	8,587	6,950	6,333	-	33,420
Cleveland Medical Mart development project	52,761	-	-	-	-	52,761
Acquisition related costs	685	-	-	-	-	685
Total expenses	487,023	208,018	95,705	59,490	-	123,810
Operating income (loss)	182,218	117,579	47,860	33,630	-	(16,851)
Income applicable to Toys	116,471	-	-	-	116,471	-
Income (loss) from partially owned entities	19,660	4,185	(1,870)	404	-	16,941
Income from Real Estate Fund	11,762	-	-	-	-	11,762
Interest and other investment income, net	15,665	1,052	44	14	-	14,555
Interest and debt expense	(130,059)	(36,141)	(29,098)	(16,352)	-	(48,468)
Income (loss) before income taxes	215,717	86,675	16,936	17,696	116,471	(22,061)
Income tax expense	(6,825)	(601)	(450)	-	-	(5,774)
Income (loss) from continuing operations	208,892	86,074	16,486	17,696	116,471	(27,835)
Income (loss) from discontinued operations	71,372	(608)	1,586	10,220	-	60,174
Net income	280,264	85,466	18,072	27,916	116,471	32,339
Less net (income) loss attributable to noncontrolling interests in:						
Consolidated subsidiaries	(9,597)	(2,176)	-	114	-	(7,535)
Operating Partnership	(15,271)	-	-	-	-	(15,271)
Preferred unit distributions of the Operating Partnership	(3,874)	-	-	-	-	(3,874)
Net income attributable to Vornado	251,522	83,290	18,072	28,030	116,471	5,659
Interest and debt expense ⁽²⁾	193,082	47,058	33,657	20,438	31,569	60,360
Depreciation and amortization ⁽²⁾	191,173	61,911	48,260	22,275	34,706	24,021
Income tax expense ⁽²⁾	51,440	693	523	-	43,203	7,021
EBITDA ⁽¹⁾	<u>\$ 687,217</u>	<u>\$ 192,952</u> (3)	<u>\$ 100,512</u>	<u>\$ 70,743</u> (4)	<u>\$ 225,949</u>	<u>\$ 97,061</u> (5)

See notes on the following page.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

23. Segment Information - continued

Notes to preceding tabular information:

- (1) EBITDA represents "Earnings Before Interest, Taxes, Depreciation and Amortization." We consider EBITDA a supplemental measure for making decisions and assessing the unlevered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on a multiple of EBITDA, we utilize this measure to make investment decisions as well as to compare the performance of our assets to that of our peers. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.
- (2) Interest and debt expense, depreciation and amortization and income tax (benefit) expense in the reconciliation of net income (loss) to EBITDA includes our share of these items from partially owned entities.
- (3) The elements of "New York" EBITDA are summarized below.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2013	2012
Office	\$ 146,296	\$ 135,180
Retail	60,382	44,920
Alexander's	10,541	13,371
Hotel Pennsylvania	318	(519)
Total New York	\$ 217,537	\$ 192,952

- (4) The elements of "Retail Properties" EBITDA are summarized below.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2013	2012
Strip shopping centers ^(a)	\$ 103,361	\$ 46,908
Regional malls ^(b)	218,965	23,835
Total Retail properties	\$ 322,326	\$ 70,743

(a) The three months ended March 31, 2013, includes \$59,599 of income pursuant to a settlement agreement with Stop & Shop.

(b) The three months ended March 31, 2013, includes a \$202,275 net gain on sale of Green Acres Mall.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

23. Segment Information - continued

Notes to preceding tabular information - continued:

(5) The elements of "other" EBITDA are summarized below.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2013	2012
Our share of Real Estate Fund:		
Income before net realized/unrealized gains	\$ 1,462	\$ 2,118
Net unrealized gains	3,379	1,711
Carried interest	2,183	-
Total	7,024	3,829
LNR	20,443	15,562
Merchandise Mart Building, 7 West 34th Street and trade shows	14,713	15,300
555 California Street	10,629	10,315
Other investments	11,807	18,518
	64,616	63,524
Corporate general and administrative expenses ^(a)	(22,756)	(22,317)
Investment income and other, net ^(a)	11,336	12,334
Impairment loss on J.C. Penney owned shares	(39,487)	-
Loss on sale of J.C. Penney common shares	(36,800)	-
(Loss) income from the mark-to-market of J.C. Penney derivative position	(22,540)	1,045
Merchandise Mart reduction-in-force and severance costs	(2,612)	(506)
Merchandise Mart discontinued operations	2,141	7,900
Acquisition related costs	(601)	(685)
Net gain on sale of 350 West Mart Center	-	54,911
Net income attributable to noncontrolling interests in the Operating Partnership	(13,933)	(15,271)
Preferred unit distributions of the Operating Partnership	(786)	(3,874)
	\$ (61,422)	\$ 97,061

(a) The amounts in these captions (for this table only) exclude the mark-to-market of our deferred compensation plan assets and offsetting liability.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Trustees
Vornado Realty Trust
New York, New York

We have reviewed the accompanying consolidated balance sheet of Vornado Realty Trust (the "Company") as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2013 and 2012. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Vornado Realty Trust as of December 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended (not presented herein); and in our report dated February 26, 2013, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2012 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
May 6, 2013

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

Certain statements contained in this Quarterly Report constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as "approximates," "believes," "expects," "anticipates," "estimates," "intends," "plans," "would," "may" or other similar expressions in this Quarterly Report on Form 10-Q. Many of the factors that will determine the outcome of these and our other forward-looking statements are beyond our ability to control or predict. For further discussion of factors that could materially affect the outcome of our forward-looking statements, see "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q or the date of any document incorporated by reference. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q.

Management's Discussion and Analysis of Financial Condition and Results of Operations includes a discussion of our consolidated financial statements for the three months ended March 31, 2013. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The results of operations for the three months ended March 31, 2013 are not necessarily indicative of the operating results for the full year. Certain prior year balances have been reclassified in order to conform to current year presentation.

Overview

Business Objective and Operating Strategy

Our business objective is to maximize shareholder value, which we measure by the total return provided to our shareholders. Below is a table comparing our performance to the Morgan Stanley REIT Index (“RMS”) and the FTSE NAREIT Office REIT Index (“Office REIT”) for the following periods ended March 31, 2013.

	Total Return ⁽¹⁾		
	Vornado	Office REIT	RMS
Quarter	5.3%	7.8%	8.1%
One-year	4.1%	11.2%	14.9%
Three-year	23.5%	32.9%	61.4%
Five-year	16.6%	20.4%	38.8%
Ten-year	252.5%	148.8%	219.8%

(1) Past performance is not necessarily indicative of future performance.

We intend to achieve our business objective by continuing to pursue our investment philosophy and executing our operating strategies through:

- Maintaining a superior team of operating and investment professionals and an entrepreneurial spirit;
- Investing in properties in select markets, such as New York City and Washington, DC, where we believe there is a high likelihood of capital appreciation;
- Acquiring quality properties at a discount to replacement cost and where there is a significant potential for higher rents;
- Investing in retail properties in select under-stored locations such as the New York City metropolitan area;
- Developing and redeveloping existing properties to increase returns and maximize value; and
- Investing in operating companies that have a significant real estate component.

We expect to finance our growth, acquisitions and investments using internally generated funds, proceeds from asset sales and by accessing the public and private capital markets. We may also offer Vornado common or preferred shares or Operating Partnership units in exchange for property and may repurchase or otherwise reacquire these securities in the future.

We compete with a large number of real estate property owners and developers, some of which may be willing to accept lower returns on their investments. Principal factors of competition are rents charged, attractiveness of location, the quality of the property and the breadth and the quality of services provided. Our success depends upon, among other factors, trends of the national, regional and local economies, the financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends. See “Item 1A. Risk Factors” in our Annual Report on Form 10-K, for additional information regarding these factors.

Overview – continued

Quarter Ended March 31, 2013 Financial Results Summary

Net income attributable to common shareholders for the quarter ended March 31, 2013 was \$231,990,000, or \$1.24 per diluted share, compared to \$233,735,000, or \$1.25 per diluted share for the quarter ended March 31, 2012. Net income for the quarters ended March 31, 2013 and 2012 include \$202,794,000 and \$56,478,000, respectively, of net gains on sale of real estate, and \$5,164,000 and \$8,875,000, respectively, of real estate impairment losses. In addition, the quarters ended March 31, 2013 and 2012 include certain items that affect comparability, which are listed in the table below. The aggregate of net gains on sale of real estate, real estate impairment losses and the items in the table below, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders by \$159,767,000, or \$0.85 per diluted share for the quarter ended March 31, 2013 and \$186,636,000, or \$0.97 per diluted share for the quarter ended March 31, 2012.

Funds From Operations attributable to common shareholders plus assumed conversions (“FFO”) for the quarter ended March 31, 2013 was \$201,820,000, or \$1.08 per diluted share, compared to \$348,452,000, or \$1.82 per diluted share for the quarter ended March 31, 2012. FFO for the quarters ended March 31, 2013 and 2012 include certain items that affect comparability, which are listed in the table below. The aggregate of these items, net of amounts attributable to noncontrolling interests, decreased FFO by \$11,432,000, or \$0.06 per diluted share for the quarter ended March 31, 2013 and increased FFO by \$161,590,000, or \$0.84 per diluted share for the quarter ended March 31, 2012.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2013	2012
Items that affect comparability income (expense):		
Stop & Shop litigation settlement income	\$ 59,599	\$ -
Toys "R" Us FFO (after a \$78,542 impairment loss in 2013)	16,684	132,288
FFO from discontinued operations, including LNR and discontinued operations of Alexander's	26,053	39,175
Non-cash impairment loss on J.C Penney owned shares	(39,487)	-
Loss on sale of J.C. Penney common shares	(36,800)	-
(Loss) income from the mark-to-market of J.C. Penney derivative position	(22,540)	1,045
Preferred share redemptions	(9,230)	-
Merchandise Mart reduction-in-force and severance costs	(2,612)	(506)
Other, net	(3,773)	190
	<u>(12,106)</u>	<u>172,192</u>
Noncontrolling interests' share of above adjustments	674	(10,602)
Items that affect comparability, net	<u>\$ (11,432)</u>	<u>\$ 161,590</u>

The percentage increase (decrease) in GAAP basis and Cash basis same store EBITDA of our operating segments for the three months ended March 31, 2013 over the three months ended March 31, 2012 is summarized below.

Same Store EBITDA:	New York	Washington, DC	Retail Properties
March 31, 2013 vs. March 31, 2012			
GAAP basis	4.6%	(7.4%)	2.8%
Cash basis	9.1%	(9.4%)	2.2%
March 31, 2013 vs. December 31, 2012			
GAAP basis	(5.7%)(1)	6.7%	(2.1%)
Cash basis	(7.7%)(1)	3.0%	(1.2%)

(1) Excluding the Hotel Pennsylvania, same store decreased by 0.4% and 1.8% on a GAAP and Cash basis, respectively.

Calculations of same store EBITDA, reconciliations of our net income to EBITDA and FFO and the reasons we consider these non-GAAP financial measures useful are provided in the following pages of Management’s Discussion and Analysis of the Financial Condition and Results of Operations.

Overview - continued

2013 Dispositions

On January 24, 2013, we completed the sale of the Green Acres Mall located in Valley Stream, New York, for \$500,000,000. The sale resulted in net proceeds of \$185,000,000, after repaying the existing loan and closing costs, and a net gain of \$202,275,000.

In the second quarter of 2013, LNR was sold for \$1.053 billion. We owned 26.2% of LNR and received net proceeds of approximately \$241,000,000.

In the second quarter of 2013, we sold The Plant, a power strip shopping center in San Jose, California, for \$203,000,000. The sale resulted in net proceeds of approximately \$98,000,000, after repaying the existing loan and closing costs, and a net gain of approximately \$33,000,000, which will be recognized in the second quarter.

In the second quarter of 2013, we sold a retail property in Philadelphia, which is a part of the Gallery at Market Street, for \$60,000,000. The sale resulted in net proceeds of \$58,000,000, and a net gain of \$33,000,000, which will be recognized in the second quarter.

In the second quarter of 2013, a site located in the Downtown Crossing district of Boston was sold by a joint venture, which we owned 50% of. Our share of the net proceeds were approximately \$45,000,000, which resulted in a \$2,335,000 impairment loss that was recognized in the first quarter.

In the second quarter of 2013, we entered into an agreement to sell a parcel of land known as Harlem Park located at 1800 Park Avenue (at 125th Street) in New York City for \$65,000,000, plus additional amounts which may be received for brownfield credits. The sale will result in net proceeds of approximately \$62,000,000 and a net gain of approximately \$22,000,000. The sale, which is subject to customary closing conditions, is expected to be completed in the second quarter.

2013 Financings

Secured Debt

On February 20, 2013, we completed a \$390,000,000 financing of the retail condominium located at 666 Fifth Avenue at 53rd Street, which we had acquired December 2012. The 10-year fixed-rate interest only loan bears interest at 3.61%. This property was previously unencumbered. The net proceeds from this financing were approximately \$387,000,000.

On March 25, 2013, we completed a \$300,000,000 financing of the Outlets at Bergen Town Center, a 948,000 square foot shopping center located in Paramus, New Jersey. The 10-year fixed-rate interest only loan bears interest at 3.56%. The property was previously encumbered by a \$282,000,000 floating-rate loan.

Unsecured Revolving Credit Facility

On March 28, 2013, we extended one of our two revolving credit facilities from June 2015 to June 2017, with two six-month extension options. The interest on the extended facility was reduced from LIBOR plus 135 basis points to LIBOR plus 115 basis points. In addition, the facility fee was reduced from 30 basis points to 20 basis points.

2013 Financings – continued

Preferred Equity

On January 25, 2013, we sold 12,000,000 5.40% Series L Cumulative Redeemable Preferred Shares at a price of \$25.00 per share in an underwritten public offering pursuant to an effective registration statement. We retained aggregate net proceeds of \$290,710,000, after underwriters' discounts and issuance costs and contributed the net proceeds to the Operating Partnership in exchange for 12,000,000 Series L Preferred Units (with economic terms that mirror those of the Series L Preferred Shares). Dividends on the Series L Preferred Shares are cumulative and payable quarterly in arrears. The Series L Preferred Shares are not convertible into, or exchangeable for, any of our properties or securities. On or after five years from the date of issuance (or sooner under limited circumstances), we may redeem the Series L Preferred Shares at a redemption price of \$25.00 per share, plus accrued and unpaid dividends through the date of redemption. The Series L Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

On February 19, 2013, we redeemed all of the outstanding 6.75% Series F Cumulative Redeemable Preferred Shares and 6.75% Series H Cumulative Redeemable Preferred Shares at par, for an aggregate of \$262,500,000 in cash, plus accrued and unpaid dividends through the date of redemption.

Recently Issued Accounting Literature

In February 2013, the Financial Accounting Standards Board ("FASB") issued Update No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* ("ASU No. 2013-02"). ASU No. 2013-02 requires additional disclosures regarding significant reclassifications out of each component of accumulated other comprehensive income, including the effect on the respective line items of net income for amounts that are required to be reclassified into net income in their entirety and cross-references to other disclosures providing additional information for amounts that are not required to be reclassified into net income in their entirety. The adoption of this update on January 1, 2013, did not have a material impact on our consolidated financial statements, but resulted in additional disclosures.

Critical Accounting Policies

A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2012 in Management's Discussion and Analysis of Financial Condition. There have been no significant changes to our policies during 2013.

Overview - continued

Leasing Activity:

The leasing activity in the table below is based on leases signed during the period and is not intended to coincide with the commencement of rental revenue in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Tenant improvements and leasing commissions are based on our share of square feet leased during the period. Second generation relet space represents square footage that has not been vacant for more than nine months. The leasing activity for the New York segment excludes Alexander's, the Hotel Pennsylvania and residential.

(Square feet in thousands)	New York		Washington, DC	Retail Properties	
	Office	Retail	Office	Strips	Malls
Quarter Ended March 31, 2013:					
Total square feet leased	909	32	297	644	159
Our share of square feet leased:	844	26	259	644	139
Initial rent ⁽¹⁾	\$ 56.88	\$ 279.95	\$ 40.68	\$ 14.30	\$ 30.28
Weighted average lease term (years)	15.2	7.8	4.8	5.5	8.4
Second generation relet space:					
Square feet	813	26	165	551	17
Cash basis:					
Initial rent ⁽¹⁾	\$ 56.64	\$ 279.95	\$ 38.33	\$ 13.34	\$ 52.87
Prior escalated rent	\$ 56.20	\$ 95.35	\$ 37.03	\$ 12.22	\$ 51.15
Percentage increase	0.8%	193.6%	3.5%	9.2%	3.4%
GAAP basis:					
Straight-line rent ⁽²⁾	\$ 58.63	\$ 314.09	\$ 37.69	\$ 13.55	\$ 53.89
Prior straight-line rent	\$ 50.93	\$ 95.88	\$ 35.73	\$ 12.00	\$ 49.41
Percentage increase	15.1%	227.6%	5.5%	12.9%	9.1%
Tenant improvements and leasing commissions:					
Per square foot	\$ 65.76	\$ 150.08	\$ 40.53	\$ 1.36	\$ 14.38
Per square foot per annum	\$ 4.33	\$ 19.33	\$ 8.44	\$ 0.25	\$ 1.71
Percentage of initial rent	7.6%	6.9%	20.7%	1.7%	5.6%

- (1) Represents the cash basis weighted average starting rent per square foot, which is generally indicative of market rents. Most leases include free rent and periodic step-ups in rent which are not included in the initial cash basis rent per square foot but are included in the GAAP basis straight-line rent per square foot.
- (2) Represents the GAAP basis weighted average rent per square foot that is recognized over the term of the respective leases, and includes the effect of free rent and periodic step-ups in rent.

Overview – continued

Square footage (in service) and Occupancy as of March 31, 2013:

(Square feet in thousands)	Number of Properties	Square Feet (in service)		Occupancy %
		Total Portfolio	Our Share	
New York:				
Office	31	19,817	16,835	96.0%
Retail	49	2,209	2,053	96.5%
Alexander's	6	2,179	706	99.2%
Hotel Pennsylvania	1	1,400	1,400	
Residential (1,655 units)	4	1,523	870	96.4%
		<u>27,128</u>	<u>21,864</u>	96.1%
Washington, DC:				
Office	59	15,943	13,557	80.9%
Residential (2,414 units)	7	2,597	2,455	97.7%
Hotel and Warehouses	7	359	359	100.0%
		<u>18,899</u>	<u>16,371</u>	83.8%
Retail Properties:				
Strip Shopping Centers	101	14,488	14,044	93.7%
Regional Malls	6	5,246	3,609	93.3%
		<u>19,734</u>	<u>17,653</u>	93.6%
Other:				
Merchandise Mart	2	3,991	3,982	92.0%
555 California Street	3	1,795	1,257	93.7%
Primarily Warehouses	5	971	971	52.9%
		<u>6,757</u>	<u>6,210</u>	
Total square feet at March 31, 2013		<u>72,518</u>	<u>62,098</u>	

Square footage (in service) and Occupancy as of December 31, 2012:

(Square feet in thousands)	Number of properties	Square Feet (in service)		Occupancy %
		Total Portfolio	Our Share	
New York:				
Office	31	19,729	16,751	95.9%
Retail	49	2,217	2,057	96.8%
Alexander's	6	2,179	706	99.1%
Hotel Pennsylvania	1	1,400	1,400	
Residential (1,655 units)	4	1,528	873	96.9%
		<u>27,053</u>	<u>21,787</u>	96.2%
Washington, DC:				
Office	59	16,106	13,637	81.2%
Residential (2,414 units)	7	2,599	2,457	97.9%
Hotel and Warehouses	7	435	435	100.0%
		<u>19,140</u>	<u>16,529</u>	84.1%
Retail Properties:				
Strip Shopping Centers	102	14,521	14,077	93.6%
Regional Malls	6	5,244	3,608	92.7%
		<u>19,765</u>	<u>17,685</u>	93.4%
Other:				
Merchandise Mart	2	3,991	3,982	92.6%
555 California Street	3	1,795	1,257	93.1%
Primarily Warehouses	5	971	971	55.9%
		<u>6,757</u>	<u>6,210</u>	
Total square feet at December 31, 2012		<u>72,715</u>	<u>62,211</u>	

Overview - continued

Washington, DC Segment

In our Form 10-K for the year ended December 31, 2012, we estimated that 2013 EBITDA will be between \$5,000,000 and \$15,000,000 lower than 2012 EBITDA. As of March 31, 2013, EBITDA from continuing operations was lower than 2012 by approximately \$9,700,000.

Of the 2,395,000 square feet subject to BRAC, 348,000 square feet has been taken out of service for redevelopment and 552,000 square feet has been leased or is pending. The table below summarizes the status of the BRAC space as of March 31, 2013.

	Rent Per Square Foot	Square Feet			
		Total	Crystal City	Skyline	Rosslyn
Resolved:					
Relet as of March 31, 2013	\$ 39.80	528,000	380,000	88,000	60,000
Leases pending	45.00	24,000	24,000	-	-
Taken out of service for redevelopment		348,000	348,000	-	-
		<u>900,000</u>	<u>752,000</u>	<u>88,000</u>	<u>60,000</u>
To Be Resolved:					
Vacated as of March 31, 2013	35.77	1,078,000	519,000	473,000	86,000
Expiring in:					
2013	39.47	43,000	-	43,000	-
2014	32.72	304,000	103,000	201,000	-
2015	43.06	70,000	65,000	5,000	-
		<u>1,495,000</u>	<u>687,000</u>	<u>722,000</u>	<u>86,000</u>
Total square feet subject to BRAC		<u>2,395,000</u>	<u>1,439,000</u>	<u>810,000</u>	<u>146,000</u>

In 2012, due to the rising vacancy rate at the Skyline properties (43.4% at March 31, 2013), primarily from the effects of the BRAC statute; insufficient cash flows to pay current obligations, including interest payments to the lender; and the significant amount of capital required to re-tenant these properties, we requested that the mortgage loan be transferred to the special servicer. In connection therewith, we entered into a forbearance agreement with the special servicer, that provides for interest shortfalls to be deferred and added to the principal balance of the loan and not give rise to a loan default. The forbearance agreement was amended on March 28, 2013, to extend its maturity through June 1, 2013. As of March 31, 2013, the deferred interest amounted to \$37,127,000. We continue to negotiate with the special servicer to restructure the terms of the loan.

Net Income and EBITDA by Segment for the Three Months Ended March 31, 2013 and 2012

As a result of certain organizational changes and asset sales in 2012, the Merchandise Mart segment no longer meets the criteria to be a separate reportable segment; accordingly, effective January 1, 2013, the remaining assets have been reclassified to our Other segment. We have also reclassified the prior period segment financial results to conform to the current year presentation. Below is a summary of net income and a reconciliation of net income to EBITDA⁽¹⁾ by segment for the three months ended March 31, 2013 and 2012.

(Amounts in thousands)

	For the Three Months Ended March 31, 2013					
	Total	New York	Washington, DC	Retail Properties	Toys	Other
Property rentals	\$ 499,237	\$ 274,650	\$ 112,272	\$ 65,134	\$ -	\$ 47,181
Straight-line rent adjustments	18,532	10,326	2,777	1,482	-	3,947
Amortization of acquired below-market leases, net	16,866	12,089	506	2,922	-	1,349
Total rentals	534,635	297,065	115,555	69,538	-	52,477
Tenant expense reimbursements	77,013	42,671	10,136	20,633	-	3,573
Cleveland Medical Mart development project	12,143	-	-	-	-	12,143
Fee and other income:						
BMS cleaning fees	16,664	21,022	-	-	-	(4,358)
Signage revenue	6,481	6,481	-	-	-	-
Management and leasing fees	5,258	2,064	2,807	479	-	(92)
Lease termination fees	60,026	58	368	59,599	-	1
Other income	8,796	715	5,865	577	-	1,639
Total revenues	721,016	370,076	134,731	150,826	-	65,383
Operating expenses	260,569	160,231	47,322	34,695	-	18,321
Depreciation and amortization	142,354	76,234	30,950	16,990	-	18,180
General and administrative	54,582	8,822	6,925	5,415	-	33,420
Cleveland Medical Mart development project	11,374	-	-	-	-	11,374
Acquisition related costs	601	-	-	-	-	601
Total expenses	469,480	245,287	85,197	57,100	-	81,896
Operating income (loss)	251,536	124,789	49,534	93,726	-	(16,513)
Income applicable to Toys	1,759	-	-	-	1,759	-
Income (loss) from partially owned entities	20,766	5,605	(2,093)	901	-	16,353
Income from Real Estate Fund	16,564	-	-	-	-	16,564
Interest and other investment (loss) income, net	(49,074)	1,165	76	52	-	(50,367)
Interest and debt expense	(121,888)	(40,618)	(28,250)	(11,641)	-	(41,379)
Net loss on disposition of wholly owned and partially owned assets	(36,724)	-	-	-	-	(36,724)
Income (loss) before income taxes	82,939	90,941	19,267	83,038	1,759	(112,066)
Income tax expense	(1,073)	(272)	(378)	-	-	(423)
Income (loss) from continuing operations	81,866	90,669	18,889	83,038	1,759	(112,489)
Income from discontinued operations	207,061	-	-	206,642	-	419
Net income (loss)	288,927	90,669	18,889	289,680	1,759	(112,070)
Less net income attributable to noncontrolling interests in:						
Consolidated subsidiaries	(11,286)	(1,581)	-	(96)	-	(9,609)
Operating Partnership	(13,933)	-	-	-	-	(13,933)
Preferred unit distributions of the Operating Partnership	(786)	-	-	-	-	(786)
Net income (loss) attributable to Vornado	262,922	89,088	18,889	289,584	1,759	(136,398)
Interest and debt expense ⁽²⁾	188,780	49,689	31,753	14,223	43,182	49,933
Depreciation and amortization ⁽²⁾	194,185	78,413	35,148	18,519	37,674	24,431
Income tax expense ⁽²⁾	60,759	347	454	-	59,346	612
EBITDA ⁽¹⁾	\$ 706,646	\$ 217,537 (3)	\$ 86,244	\$ 322,326 (4)	\$ 141,961	\$ (61,422)(5)

EBITDA for the Retail Properties segment above includes income from discontinued operations and other gains and losses that affect comparability that are described in the "Overview," aggregating \$269,059. Excluding these items, EBITDA for the Retail Properties segment was \$53,267.

See notes on page 47.

Net Income and EBITDA by Segment for the Three Months Ended March 31, 2013 and 2012 - continued

(Amounts in thousands)

	For the Three Months Ended March 31, 2012					
	Total	New York	Washington, DC	Retail Properties	Toys	Other
Property rentals	\$ 474,989	\$ 233,936	\$ 122,804	\$ 65,150	\$ -	\$ 53,099
Straight-line rent adjustments	21,348	17,129	1,857	1,333	-	1,029
Amortization of acquired below-market leases, net	13,774	7,695	523	4,188	-	1,368
Total rentals	510,111	258,760	125,184	70,671	-	55,496
Tenant expense reimbursements	70,793	36,712	10,008	21,272	-	2,801
Cleveland Medical Mart development project	55,059	-	-	-	-	55,059
Fee and other income:						
BMS cleaning fees	15,510	22,647	-	-	-	(7,137)
Signage revenue	4,590	4,590	-	-	-	-
Management and leasing fees	4,754	1,108	2,783	836	-	27
Lease termination fees	411	23	-	-	-	388
Other income	8,013	1,757	5,590	341	-	325
Total revenues	669,241	325,597	143,565	93,120	-	106,959
Operating expenses	246,746	145,672	46,202	35,250	-	19,622
Depreciation and amortization	131,541	53,759	42,553	17,907	-	17,322
General and administrative	55,290	8,587	6,950	6,333	-	33,420
Cleveland Medical Mart development project	52,761	-	-	-	-	52,761
Acquisition related costs	685	-	-	-	-	685
Total expenses	487,023	208,018	95,705	59,490	-	123,810
Operating income (loss)	182,218	117,579	47,860	33,630	-	(16,851)
Income applicable to Toys	116,471	-	-	-	116,471	-
Income (loss) from partially owned entities	19,660	4,185	(1,870)	404	-	16,941
Income from Real Estate Fund	11,762	-	-	-	-	11,762
Interest and other investment income, net	15,665	1,052	44	14	-	14,555
Interest and debt expense	(130,059)	(36,141)	(29,098)	(16,352)	-	(48,468)
Income (loss) before income taxes	215,717	86,675	16,936	17,696	116,471	(22,061)
Income tax expense	(6,825)	(601)	(450)	-	-	(5,774)
Income (loss) from continuing operations	208,892	86,074	16,486	17,696	116,471	(27,835)
Income (loss) from discontinued operations	71,372	(608)	1,586	10,220	-	60,174
Net income	280,264	85,466	18,072	27,916	116,471	32,339
Less net (income) loss attributable to noncontrolling interests in:						
Consolidated subsidiaries	(9,597)	(2,176)	-	114	-	(7,535)
Operating Partnership	(15,271)	-	-	-	-	(15,271)
Preferred unit distributions of the Operating Partnership	(3,874)	-	-	-	-	(3,874)
Net income attributable to Vornado	251,522	83,290	18,072	28,030	116,471	5,659
Interest and debt expense ⁽²⁾	193,082	47,058	33,657	20,438	31,569	60,360
Depreciation and amortization ⁽²⁾	191,173	61,911	48,260	22,275	34,706	24,021
Income tax expense ⁽²⁾	51,440	693	523	-	43,203	7,021
EBITDA ⁽¹⁾	<u>\$ 687,217</u>	<u>\$ 192,952 (3)</u>	<u>\$ 100,512</u>	<u>\$ 70,743 (4)</u>	<u>\$ 225,949</u>	<u>\$ 97,061 (5)</u>

EBITDA for the New York, Washington, DC and Retail Properties segments above include income from discontinued operations and other gains and losses that affect comparability that are described in the "Overview," aggregating \$2,478, \$4,539 and \$18,596, respectively. Excluding these items, EBITDA for the New York, Washington, DC and Retail Properties segments was \$190,474, \$95,973 and \$52,147, respectively.

See notes on the following page.

Notes to preceding tabular information:

- (1) EBITDA represents "Earnings Before Interest, Taxes, Depreciation and Amortization." We consider EBITDA a supplemental measure for making decisions and assessing the unlevered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on a multiple of EBITDA, we utilize this measure to make investment decisions as well as to compare the performance of our assets to that of our peers. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.
- (2) Interest and debt expense, depreciation and amortization and income tax (benefit) expense in the reconciliation of net income (loss) to EBITDA includes our share of these items from partially owned entities.
- (3) The elements of "New York" EBITDA are summarized below.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2013	2012
Office	\$ 146,296	\$ 135,180
Retail	60,382	44,920
Alexander's (decrease due to sale of Kings Plaza in November 2012)	10,541	13,371
Hotel Pennsylvania	318	(519)
Total New York	\$ 217,537	\$ 192,952

- (4) The elements of "Retail Properties" EBITDA are summarized below.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2013	2012
Strip shopping centers ^(a)	\$ 103,361	\$ 46,908
Regional malls ^(b)	218,965	23,835
Total Retail properties	\$ 322,326	\$ 70,743

(a) Includes income from discontinued operations and other gains and losses that affect comparability, aggregating \$65,937 and \$10,317 for the three months ended March 31, 2013 and 2012, respectively. Excluding these items, EBITDA was \$37,424 and \$36,591, respectively.

(b) Includes income from discontinued operations and other gains and losses that affect comparability, aggregating \$203,122 and \$8,279 for the three months ended March 31, 2013 and 2012, respectively. Excluding these items, EBITDA was \$15,843 and \$15,556, respectively.

Notes to preceding tabular information - continued:

- (5) The elements of "other" EBITDA are summarized below.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2013	2012
Our share of Real Estate Fund:		
Income before net realized/unrealized gains	\$ 1,462	\$ 2,118
Net unrealized gains	3,379	1,711
Carried interest	2,183	-
Total	7,024	3,829
LNR	20,443	15,562
Merchandise Mart Building, 7 West 34th Street and trade shows	14,713	15,300
555 California Street	10,629	10,315
Other investments	11,807	18,518
	64,616	63,524
Corporate general and administrative expenses ^(a)	(22,756)	(22,317)
Investment income and other, net ^(a)	11,336	12,334
Impairment loss on J.C. Penney owned shares	(39,487)	-
Loss on sale of J.C. Penney common shares	(36,800)	-
(Loss) income from the mark-to-market of J.C. Penney derivative position	(22,540)	1,045
Merchandise Mart reduction-in-force and severance costs	(2,612)	(506)
Merchandise Mart discontinued operations	2,141	7,900
Acquisition related costs	(601)	(685)
Net gain on sale of 350 West Mart Center	-	54,911
Net income attributable to noncontrolling interests in the Operating Partnership	(13,933)	(15,271)
Preferred unit distributions of the Operating Partnership	(786)	(3,874)
	\$ (61,422)	\$ 97,061

(a) The amounts in these captions (for this table only) exclude the mark-to-market of our deferred compensation plan assets and offsetting liability.

EBITDA by Region

Below is a summary of the percentages of EBITDA by geographic region (excluding discontinued operations and other gains and losses that affect comparability), from our New York, Washington, DC and Retail Properties segments.

Region:	For the Three Months Ended March 31,	
	2013	2012
New York City metropolitan area	72%	67%
Washington, DC / Northern Virginia metropolitan area	25%	29%
Puerto Rico	1%	2%
California	1%	1%
Other geographies	1%	1%
	100%	100%

Results of Operations – Three Months Ended March 31, 2013 Compared to March 31, 2012

Revenues

Our revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues, amortization of acquired below-market leases, net of above-market leases and fee income, were \$721,016,000 for the three months ended March 31, 2013, compared to \$669,241,000 in the prior year's three months, an increase of \$51,775,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	<u>Total</u>	<u>New York</u>	<u>Washington, DC</u>	<u>Retail Properties</u>	<u>Other</u>
Property rentals:					
Acquisitions	\$ 25,607	\$ 26,184	\$ -	\$ (577)	\$ -
Development (out of service)	(3,674)	(152)	(2,348)	(1,156)	(18)
Hotel Pennsylvania	2,257	2,257	-	-	-
Trade Shows	(4,305)	-	-	-	(4,305)
Amortization of acquired below-market leases, net	3,092	4,394	(17)	(1,266)	(19)
Leasing activity (see page 42)	1,547	5,622	(7,264) ⁽¹⁾	1,866	1,323
	<u>24,524</u>	<u>38,305</u>	<u>(9,629)</u>	<u>(1,133)</u>	<u>(3,019)</u>
Tenant expense reimbursements:					
Acquisitions/development	(645)	2,068	(508)	(2,108)	(97)
Operations	6,865	3,891	636	1,469	869
	<u>6,220</u>	<u>5,959</u>	<u>128</u>	<u>(639)</u>	<u>772</u>
Cleveland Medical Mart development project					
	<u>(42,916)⁽²⁾</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,916)⁽²⁾</u>
Fee and other income:					
BMS cleaning fees	1,154	(1,625)	-	-	2,779 ⁽³⁾
Signage revenue	1,891	1,891	-	-	-
Management and leasing fees	504	956	24	(357)	(119)
Lease termination fees	59,615	35	368	59,599 ⁽⁴⁾	(387)
Other income	783	(1,042)	275	236	1,314
	<u>63,947</u>	<u>215</u>	<u>667</u>	<u>59,478</u>	<u>3,587</u>
Total increase (decrease) in revenues	\$ <u>51,775</u>	\$ <u>44,479</u>	\$ <u>(8,834)</u>	\$ <u>57,706</u>	\$ <u>(41,576)</u>

(1) Results primarily from a decrease in occupancy.

(2) This decrease in income is offset by a decrease in development costs expensed in the period. See note (3) on page 50.

(3) Represents the elimination of intercompany fees from operating segments upon consolidation. See note (2) on page 50.

(4) Represents income recognized in the current period in connection with the settlement of the Stop & Shop litigation.

Results of Operations – Three Months Ended March 31, 2013 Compared to March 31, 2012 - continued

Expenses

Our expenses, which consist primarily of operating, depreciation and amortization and general and administrative expenses, were \$469,480,000 for the three months ended March 31, 2013, compared to \$487,023,000 in the prior year's three months, a decrease of \$17,543,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	<u>Total</u>	<u>New York</u>	<u>Washington, DC</u>	<u>Retail Properties</u>	<u>Other</u>
Operating:					
Acquisitions	\$ 10,922	\$ 11,184	\$ -	\$ (262)	\$ -
Development (out of service)	(3,974)	(660)	(600)	(2,158)	(556)
Non-reimbursable expenses, including bad debt reserves	271	(371)	825	(576)	393
Hotel Pennsylvania	1,397	1,397	-	-	-
Trade Shows	(3,309)	-	-	-	(3,309)
BMS expenses	1,917	(862)	-	-	2,779 (2)
Operations	6,599	3,871	895	2,441	(608)
	<u>13,823</u>	<u>14,559</u>	<u>1,120</u>	<u>(555)</u>	<u>(1,301)</u>
Depreciation and amortization:					
Acquisitions/development	4,420	18,078	(12,524)	(1,052)	(82)
Operations	6,393	4,397	921	135	940
	<u>10,813</u>	<u>22,475</u>	<u>(11,603)</u>	<u>(917)</u>	<u>858</u>
General and administrative:					
Mark-to-market of deferred compensation plan liability (1)	(681)	-	-	-	(681)
Reduction-in-force and severance costs	2,106	-	-	-	2,106
Operations	(2,133)	235	(25)	(918)	(1,425)
	<u>(708)</u>	<u>235</u>	<u>(25)</u>	<u>(918)</u>	<u>-</u>
Cleveland Medical Mart development project	<u>(41,387)(3)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,387)(3)</u>
Acquisition related costs	<u>(84)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84)</u>
Total (decrease) increase in expenses	<u>\$ (17,543)</u>	<u>\$ 37,269</u>	<u>\$ (10,508)</u>	<u>\$ (2,390)</u>	<u>\$ (41,914)</u>

(1) This decrease in expense is entirely offset by a corresponding decrease in income from the mark-to-market of the deferred compensation plan assets, a component of "interest and other investment (loss) income, net" on our consolidated statements of income.

(2) Represents the elimination of intercompany fees from operating segments upon consolidation. See note (3) on page 49.

(3) This decrease in expense is offset by the decrease in development revenue in the period. See note (2) on page 49.

Results of Operations – Three Months Ended March 31, 2013 Compared to March 31, 2012 - continued

Income Applicable to Toys

In the three months ended December 31, 2012 we recorded a \$40,000,000 non-cash impairment loss with regards to our investment in Toys and disclosed, that if current facts don't change, our share of Toys' undistributed income, which in accordance with the equity method of accounting, would increase the carrying amount of our investment above fair value, would require an offsetting impairment loss.

In the three months ended March 31, 2013, we recognized our 32.5% share of Toys' fourth quarter net income of \$78,542,000 and a corresponding non-cash impairment loss of the same amount. Our income applicable to Toys after the impairment loss was \$1,759,000, representing management fees earned and received.

In the three months ended March 31, 2012, we recognized net income of \$116,471,000 from our investment in Toys, comprised of \$114,184,000 for our 32.7% share of Toys' net income and \$2,287,000 of management fees.

Income from Partially Owned Entities

Summarized below are the components of income (loss) from partially owned entities for the three months ended March 31, 2013 and 2012.

(Amounts in thousands)	Percentage Ownership at March 31, 2013	For the Three Months Ended March 31,	
		2013	2012
Equity in Net Income (Loss):			
Alexander's	32.4%	\$ 6,076	\$ 8,021
Lexington ⁽¹⁾	n/a	(979)	930
LNR (see page 40)	26.2%	18,731	13,250
India real estate ventures	4.0%-36.5%	(767)	(793)
Partially owned office buildings:			
280 Park Avenue	49.5%	(2,569)	(5,595)
Warner Building	55.0%	(2,346)	(3,010)
666 Fifth Avenue Office Condominium	49.5%	2,019	1,715
330 Madison Avenue	25.0%	1,304	794
One Park Avenue	30.3%	457	331
Rosslyn Plaza	43.7%-50.4%	(446)	158
1101 17th Street	55.0%	384	683
West 57th Street Properties	50.0%	172	313
Fairfax Square	20.0%	(45)	(12)
Other partially owned office buildings	Various	488	527
Other investments:			
Downtown Crossing, Boston ⁽²⁾	50.0%	(2,374)	(334)
Monmouth Mall	50.0%	859	362
Independence Plaza ⁽³⁾	n/a	-	1,682
Other investments ⁽⁴⁾	Various	(198)	638
		<u>\$ 20,766</u>	<u>\$ 19,660</u>

(1) In the first quarter of 2013, we began accounting for our investment in Lexington as a marketable equity security - available for sale.

(2) On April 24, 2013, the joint venture sold the site in Downtown Crossing, Boston, and we received approximately \$45,000 for our 50% interest. In connection therewith we recognized a \$2,335 impairment loss in the first quarter.

(3) In December 2012, we acquired a 58.75% interest in Independence Plaza and began to consolidate the accounts of the property into our consolidated financial statements.

(4) Includes interests in 85 10th Avenue, Fashion Centre Mall, 50-70 West 93rd Street and others.

Results of Operations – Three Months Ended March 31, 2013 Compared to March 31, 2012 - continued

Income from Real Estate Fund

Below are the components of the income from our Real Estate Fund for the three months ended March 31, 2013 and 2012.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2013	2012
Operating income	\$ 3,048	\$ 4,918
Net unrealized gains	13,516	6,844
Income from Real Estate Fund	16,564	11,762
Less (income) attributable to noncontrolling interests	(9,540)	(7,933)
Income from Real Estate Fund attributable to Vornado ⁽¹⁾	\$ 7,024	\$ 3,829

(1) Excludes management, leasing and development fees of \$682 and \$703 for the three months ended March 31, 2013 and 2012, respectively, which are included as a component of "fee and other income" on our consolidated statements of income.

Interest and Other Investment (Loss) Income, net

Interest and other investment (loss) income, net (comprised of impairment losses on marketable equity securities, the mark-to-market of derivative positions in marketable equity securities, interest income on mortgage and mezzanine loans receivable and other interest and dividend income) was a loss of \$49,074,000 in the three months ended March 31, 2013, compared to income of \$15,665,000 in the prior year's three months, a decrease in income of \$64,739,000. This decrease resulted from:

(Amounts in thousands)	
Non-cash impairment loss on J.C. Penney owned shares in 2013	\$ (39,487)
J.C. Penney derivative position (\$22,540 mark-to-market loss in 2013, compared to a \$1,045 mark-to-market gain in 2012)	(23,585)
Decrease in the value of investments in our deferred compensation plan (offset by a corresponding increase in the liability for plan assets in general and administrative expenses)	(681)
Other, net	(986)
	\$ (64,739)

Interest and Debt Expense

Interest and debt expense was \$121,888,000 in the three months ended March 31, 2013, compared to \$130,059,000 in the prior year's three months, a decrease of \$8,171,000. This decrease was primarily due to \$8,244,000 of higher capitalized interest in the current period.

Net Loss on Disposition of Wholly Owned and Partially Owned Assets

Net loss on disposition of wholly owned and partially owned assets was \$36,724,000 in the three months ended March 31, 2013, and resulted primarily from the sale of 10,000,000 J.C. Penney common shares.

Income Tax Expense

Income tax expense was \$1,073,000 in the three months ended March 31, 2013, compared to \$6,825,000 in the prior year's three months, a decrease of \$5,752,000. This decrease resulted primarily from a \$4,277,000 income tax provision in the prior year's three months applicable to a taxable REIT subsidiary that was liquidated in the fourth quarter of 2012.

Results of Operations – Three Months Ended March 31, 2013 Compared to March 31, 2012 - continued

Income from Discontinued Operations

We have reclassified the revenues and expenses of the properties that were sold and that are currently held for sale to “income from discontinued operations” and the related assets and liabilities to “assets related to discontinued operations” and “liabilities related to discontinued operations” for all the periods presented in the accompanying financial statements. The table below sets forth the combined results of assets related to discontinued operations for the three months ended March 31, 2013 and 2012.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2013	2012
Total revenues	\$ 23,686	\$ 59,934
Total expenses	17,440	44,379
	6,246	15,555
Net gain on sale of Green Acres Mall	202,275	-
Net gain on sale of 350 West Mart Center	-	54,911
Impairment loss	(1,514)	-
Net gains on sale of other real estate	54	906
Income from discontinued operations	\$ 207,061	\$ 71,372

Net Income Attributable to Noncontrolling Interests in Consolidated Subsidiaries

Net income attributable to noncontrolling interests in consolidated subsidiaries was \$11,286,000 in the three months ended March 31, 2013, compared to \$9,597,000 in the prior year’s three months, an increase of \$1,689,000. This increase resulted primarily from a \$1,607,000 increase in income allocated to the noncontrolling interests of our Real Estate Fund.

Net Income Attributable to Noncontrolling Interests in the Operating Partnership

Net income attributable to noncontrolling interests in the Operating Partnership was \$13,933,000 in the three months ended March 31, 2013, compared to \$15,271,000 in the prior year’s three months, a decrease of \$1,338,000. This decrease resulted primarily from lower net income subject to allocation to unitholders.

Preferred Unit Distributions of the Operating Partnership

Preferred unit distributions of the Operating Partnership were \$786,000 in the three months ended March 31, 2013, compared to \$3,874,000 in the prior year’s three months, a decrease of \$3,088,000. This decrease resulted from the redemption of the 7.0% Series D-10 and 6.75% Series D-14 cumulative redeemable preferred units in July 2012.

Preferred Share Dividends

Preferred share dividends were \$21,702,000 in the three months ended March 31, 2013, compared to \$17,787,000 in the prior year’s three months, an increase of \$3,915,000. This increase resulted primarily from the issuance of \$300,000,000 of 5.70% Series K cumulative redeemable preferred shares in July 2012, and \$300,000,000 of 5.40% Series L cumulative redeemable preferred shares in January 2013, partially offset by the redemption of \$262,500,000 of 6.75% Series F and Series H cumulative redeemable preferred shares in February 2013 and \$75,000,000 of 7.0% Series E cumulative redeemable preferred shares in August 2012.

Preferred Share Redemptions

In the three months ended March 31, 2013, we recognized \$9,230,000 of expense in connection with the redemption of the 6.75% Series F and Series H cumulative redeemable preferred shares.

Results of Operations – Three Months Ended March 31, 2013 Compared to March 31, 2012 - continued

Reconciliation of EBITDA to Same Store EBITDA

Same store EBITDA represents EBITDA from property level operations which are owned by us in both the current and prior year reporting periods. Same store EBITDA excludes segment-level overhead expenses, which are expenses that we do not consider to be property-level expenses, as well as other non-operating items. We present same store EBITDA on both a GAAP basis and a cash basis, which excludes income from the straight-lining of rents, amortization of below-market leases, net of above-market leases and other non-cash adjustments. We present these non-GAAP measures to (i) facilitate meaningful comparisons of the operational performance of our properties and segments, (ii) make decisions on whether to buy, sell or refinance properties, and (iii) compare the performance of our properties and segments to those of our peers. Same store EBITDA should not be considered as an alternative to net income or cash flow from operations and may not be comparable to similarly titled measures employed by other companies.

Below are same store EBITDA results on a GAAP and cash basis for each of our segments and a reconciliation of EBITDA to same store EBITDA for the three months ended March 31, 2013 and 2012.

(Amounts in thousands)	<u>New York</u>	<u>Washington, DC</u>	<u>Retail Properties</u>
EBITDA for the three months ended March 31, 2013	\$ 217,537	\$ 86,244	\$ 322,326
Add-back: non-property level overhead expenses included above	8,822	6,925	5,415
Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses	(24,046)	(2,274)	(268,598)
GAAP basis same store EBITDA for the three months ended March 31, 2013	<u>202,313</u>	<u>90,895</u>	<u>59,143</u>
Less: Adjustments for straight-line rents, amortization of below-market leases, net, and other non-cash adjustments	(26,212)	(3,944)	(3,114)
Cash basis same store EBITDA for the three months ended March 31, 2013	<u>\$ 176,101</u>	<u>\$ 86,951</u>	<u>\$ 56,029</u>
EBITDA for the three months ended March 31, 2012	\$ 192,952	\$ 100,512	\$ 70,743
Add-back: non-property level overhead expenses included above	8,587	6,950	6,333
Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses	(8,051)	(9,288)	(19,571)
GAAP basis same store EBITDA for the three months ended March 31, 2012	<u>193,488</u>	<u>98,174</u>	<u>57,505</u>
Less: Adjustments for straight-line rents, amortization of below-market leases, net, and other non-cash adjustments	(32,030)	(2,189)	(2,664)
Cash basis same store EBITDA for the three months ended March 31, 2012	<u>\$ 161,458</u>	<u>\$ 95,985</u>	<u>\$ 54,841</u>
Increase (decrease) in GAAP basis same store EBITDA for the three months ended March 31, 2013 over the three months ended March 31, 2012	<u>\$ 8,825</u>	<u>\$ (7,279)</u>	<u>\$ 1,638</u>
Increase (decrease) in Cash basis same store EBITDA for the three months ended March 31, 2013 over the three months ended March 31, 2012	<u>\$ 14,643</u>	<u>\$ (9,034)</u>	<u>\$ 1,188</u>
% increase (decrease) in GAAP basis same store EBITDA	<u>4.6%</u>	<u>(7.4%)</u>	<u>2.8%</u>
% increase (decrease) in Cash basis same store EBITDA	<u>9.1%</u>	<u>(9.4%)</u>	<u>2.2%</u>

SUPPLEMENTAL INFORMATION
Reconciliation of EBITDA to Same Store EBITDA - Three Months Ended March 31, 2013 vs. December 31, 2012

Below are the same store EBITDA results on a GAAP and cash basis for each of our segments and a reconciliation of EBITDA to Same Store EBITDA for the three months ended March 31, 2013 and December 31, 2012.

(Amounts in thousands)	<u>New York</u>	<u>Washington, DC</u>	<u>Retail Properties</u>
EBITDA for the three months ended March 31, 2013	\$ 217,537	\$ 86,244	\$ 322,326
Add-back: non-property level overhead expenses included above	8,822	6,925	5,415
Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses	<u>(23,775)</u>	<u>(2,274)</u>	<u>(268,598)</u>
GAAP basis same store EBITDA for the three months ended March 31, 2013	202,584	90,895	59,143
Less: Adjustments for straight-line rents, amortization of below-market leases, net, and other non-cash adjustments	<u>(26,212)</u>	<u>(3,944)</u>	<u>(3,114)</u>
Cash basis same store EBITDA for the three months ended March 31, 2013	<u>\$ 176,372</u>	<u>\$ 86,951</u>	<u>\$ 56,029</u>
EBITDA for the three months ended December 31, 2012 ⁽¹⁾	\$ 407,823	\$ 118,021	\$ (20,074)
Add-back: non-property level overhead expenses included above	8,073	7,388	4,851
Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses	<u>(201,038)</u>	<u>(40,209)</u>	<u>75,643</u>
GAAP basis same store EBITDA for the three months ended December 31, 2012	214,858	85,200	60,420
Less: Adjustments for straight-line rents, amortization of below-market leases, net, and other non-cash adjustments	<u>(23,781)</u>	<u>(775)</u>	<u>(3,738)</u>
Cash basis same store EBITDA for the three months ended December 31, 2012	<u>\$ 191,077</u>	<u>\$ 84,425</u>	<u>\$ 56,682</u>
(Decrease) increase in GAAP basis same store EBITDA for the three months ended March 31, 2013 over the three months ended December 31, 2012	<u>\$ (12,274)</u>	<u>\$ 5,695</u>	<u>\$ (1,277)</u>
(Decrease) increase in Cash basis same store EBITDA for three months ended March 31, 2013 over the three months ended December 31, 2012	<u>\$ (14,705)</u>	<u>\$ 2,526</u>	<u>\$ (653)</u>
% (decrease) increase in GAAP basis same store EBITDA	<u>(5.7%)</u>	<u>6.7%</u>	<u>(2.1%)</u>
% (decrease) increase in Cash basis same store EBITDA	<u>(7.7%)</u>	<u>3.0%</u>	<u>(1.2%)</u>

(1) Below is the reconciliation of net income (loss) to EBITDA for the three months ended December 31, 2012.

(Amounts in thousands)	<u>New York</u>	<u>Washington, DC</u>	<u>Retail Properties</u>
Net income (loss) attributable to Vornado for the three months ended December 31, 2012	\$ 295,411	\$ 48,642	\$ (56,641)
Interest and debt expense	47,561	34,139	15,789
Depreciation and amortization	63,777	34,829	20,778
Income tax expense	1,074	411	-
EBITDA for the three months ended December 31, 2012	<u>\$ 407,823</u>	<u>\$ 118,021</u>	<u>\$ (20,074)</u>

Liquidity and Capital Resources

Property rental income is our primary source of cash flow and is dependent upon the occupancy and rental rates of our properties. Our cash requirements include property operating expenses, capital improvements, tenant improvements, leasing commissions, dividends to shareholders, distributions to unitholders of the Operating Partnership, as well as acquisition and development costs. Other sources of liquidity to fund cash requirements include proceeds from debt financings, including mortgage loans, senior unsecured borrowings, and our revolving credit facilities; proceeds from the issuance of common and preferred equity; and asset sales.

We anticipate that cash flow from continuing operations over the next twelve months will be adequate to fund our business operations, cash distributions to unitholders of the Operating Partnership, cash dividends to shareholders, debt amortization and recurring capital expenditures. Capital requirements for development expenditures and acquisitions (excluding Fund acquisitions) may require funding from borrowings and/or equity offerings. Our Real Estate Fund has aggregate unfunded commitments of \$257,956,000 for acquisitions, including \$64,489,000 from us.

We may from time to time purchase or retire outstanding debt securities or redeem our equity securities. Such purchases, if any, will depend on prevailing market conditions, liquidity requirements and other factors. The amounts involved in connection with these transactions could be material to our consolidated financial statements.

Cash Flows for the Three Months Ended March 31, 2013

Our cash and cash equivalents were \$585,823,000 at March 31, 2013, a \$374,496,000 decrease over the balance at December 31, 2012. Our consolidated outstanding debt was \$10,421,179,000 at March 31, 2013, a \$770,155,000 decrease over the balance at December 31, 2012. As of March 31, 2013 and December 31, 2012, \$0 and \$1,170,000,000, respectively, was outstanding under our revolving credit facilities. During the remainder of 2013 and 2014, \$654,713,000 and \$237,784,000, respectively, of our outstanding debt matures; we may refinance this maturing debt as it comes due or choose to repay it.

Cash flows provided by operating activities of \$414,927,000 was comprised of (i) net income of \$288,927,000, (ii) the net change in operating assets and liabilities of \$65,010,000, including \$13,668,000 related to Real Estate Fund investments, (iii) return of capital from Real Estate Fund investments of \$56,664,000, and (iv) distributions of income from partially owned entities of \$10,627,000, partially offset by (v) \$6,301,000 of non-cash adjustments, which include depreciation and amortization expense, the effect of straight-lining of rental income, equity in net income of partially owned entities and net gains on sale of real estate.

Net cash provided by investing activities of \$527,685,000 was comprised of (i) \$499,369,000 of proceeds from sales of real estate and related investments, (ii) \$160,300,000 of proceeds from the sale of marketable securities, (iii) \$38,900,000 from the return of the J.C. Penney derivative collateral, (iv) \$14,149,000 of changes in restricted cash, (v) \$5,544,000 of capital distributions from partially owned entities, and (vi) \$631,000 of proceeds from repayments of mezzanine loans, partially offset by (vii) \$58,522,000 for the funding of the J.C. Penney derivative collateral, (viii) \$57,460,000 of additions to real estate, (ix) \$39,892,000 of investments in partially owned entities, and (x) \$35,334,000 of development costs and construction in progress.

Net cash used in financing activities of \$1,317,108,000 was comprised of (i) \$2,529,836,000 for the repayments of borrowings, (ii) \$262,500,000 for purchases of outstanding preferred units and shares, (iii) \$172,142,000 of distributions to noncontrolling interests, (iv) \$136,342,000 of dividends paid on common shares, (v) \$23,161,000 of dividends paid on preferred shares, (vi) \$9,080,000 of debt issuance and other costs, and (vii) \$305,000 for the repurchase of shares related to stock compensation agreements and related tax holdings, partially offset by (viii) \$1,499,375,000 of proceeds from borrowings, (ix) \$290,710,000 of proceeds from the issuance of preferred shares, (x) \$24,566,000 of contributions from noncontrolling interests in consolidated subsidiaries, and (xi) \$1,607,000 of proceeds from exercise of employee share options.

Liquidity and Capital Resources – continued

Capital Expenditures in the three months ended March 31, 2013

Capital expenditures consist of expenditures to maintain assets, tenant improvement allowances and leasing commissions. Recurring capital expenditures include expenditures to maintain a property's competitive position within the market and tenant improvements and leasing commissions necessary to re-lease expiring leases or renew or extend existing leases. Non-recurring capital improvements include expenditures to lease space that has been vacant for more than nine months and expenditures completed in the year of acquisition and the following two years that were planned at the time of acquisition, as well as tenant improvements and leasing commissions for space that was vacant at the time of acquisition of a property. Below is a summary of capital expenditures, leasing commissions and a reconciliation of total expenditures on an accrual basis to the cash expended in the three months ended March 31, 2013.

(Amounts in thousands)	Total	New York	Washington, DC	Retail Properties	Other
Expenditures to maintain assets	\$ 5,267	\$ 3,636	\$ 1,496	\$ 103	\$ 32
Tenant improvements	55,505	39,517	12,931	2,296	761
Leasing commissions	21,026	18,418	2,023	585	-
Non-recurring capital expenditures	1,576	1,576	-	-	-
Total capital expenditures and leasing commissions (accrual basis)	83,374	63,147	16,450	2,984	793
Adjustments to reconcile to cash basis:					
Expenditures in the current year applicable to prior periods	37,330	9,192	7,718	2,019	18,401
Expenditures to be made in future periods for the current period	(45,265)	(30,579)	(14,539)	(2,881)	2,734
Total capital expenditures and leasing commissions (cash basis)	\$ 75,439	\$ 41,760	\$ 9,629	\$ 2,122	\$ 21,928
Tenant improvements and leasing commissions:					
Per square foot per annum	\$ 3.83	\$ 4.56	\$ 8.44	\$ 0.61	\$ -
Percentage of initial rent	9.2%	7.2%	20.7%	3.6%	-

Development and Redevelopment Expenditures in the three months ended March 31, 2013

Development and redevelopment expenditures consist of all hard and soft costs associated with the development or redevelopment of a property, including tenant improvements, leasing commissions, capitalized interest and operating costs until the property is substantially completed and ready for its intended use. Below is a summary of development and redevelopment expenditures incurred in the three months ended March 31, 2013.

(Amounts in thousands)	Total	New York	Washington, DC	Retail Properties	Other
Springfield Mall	\$ 8,792	\$ -	\$ -	\$ 8,792	\$ -
1290 Avenue of the Americas	6,105	6,105	-	-	-
220 Central Park South	3,914	-	-	-	3,914
1540 Broadway	2,707	2,707	-	-	-
Marriott Marquis Times Square - retail and signage	2,695	2,695	-	-	-
LED Signage	2,228	2,228	-	-	-
North Plainfield, New Jersey	1,071	-	-	1,071	-
Other	7,822	1,621	5,205	807	189
	\$ 35,334	\$ 15,356	\$ 5,205	\$ 10,670	\$ 4,103

We are in the process of a renovation of the Springfield Mall, which is expected to be substantially completed in 2014. The estimated cost of this project is approximately \$225,000,000, of which \$21,500,000 was expended prior to 2013 and \$100,000,000 is expected to be expended in 2013 and the balance is to be expended in 2014. There can be no assurance that this project will be completed on schedule or within budget.

Liquidity and Capital Resources – continued

Cash Flows for the Three Months Ended March 31, 2012

Our cash and cash equivalents were \$614,359,000 at March 31, 2012, a \$7,806,000 increase over the balance at December 31, 2011. This increase was primarily due to cash flows from operating and investing activities, partially offset by cash flows from financing activities, as discussed below.

Cash flows provided by operating activities of \$307,103,000 was comprised of (i) net income of \$280,264,000, (ii) distributions of income from partially owned entities of \$14,194,000, and (iii) the net change in operating assets and liabilities of \$95,004,000, including \$28,980,000 related to Real Estate Fund investments, partially offset by (iv) \$82,359,000 of non-cash adjustments, which include depreciation and amortization expense, the effect of straight-lining of rental income, equity in net income of partially owned entities and net gains on sale of real estate.

Net cash provided by investing activities of \$172,095,000 was comprised of (i) \$306,022,000 of proceeds from sales of real estate and related investments, (ii) \$4,203,000 of capital distributions from partially owned entities, (iii) \$13,123,000 of proceeds from the repayment of loan to officer, and (iv) \$554,000 of proceeds from sales and repayments of mezzanine loans, partially offset by (v) \$46,732,000 of investments in partially owned entities, (vi) \$44,052,000 of additions to real estate, (vii) \$20,614,000 of development costs and construction in progress, (viii) \$21,054,000 of acquisitions of real estate, and (ix) \$19,355,000 of changes in restricted cash.

Net cash used in financing activities of \$471,392,000 was comprised of (i) \$884,679,000 for the repayments of borrowings, (ii) \$127,973,000 of dividends paid on common shares, (iii) \$34,092,000 of distributions to noncontrolling interests, (iv) \$30,034,000 for the repurchase of shares related to stock compensation agreements and related tax holdings, (v) \$17,789,000 of dividends paid on preferred shares, and (vi) \$9,822,000 of debt issuance and other costs, partially offset by (vii) \$625,000,000 of proceeds from borrowings and (viii) \$7,997,000 of proceeds from exercise of employee share options.

Liquidity and Capital Resources – continued
Capital Expenditures in the three months ended March 31, 2012

(Amounts in thousands)	Total	New York	Washington, DC	Retail Properties	Other
Expenditures to maintain assets	\$ 7,728	\$ 4,234	\$ 1,195	\$ 428	\$ 1,871
Tenant improvements	38,512	14,198	16,374	5,840	2,100
Leasing commissions	12,712	7,719	3,892	1,087	14
Non-recurring capital expenditures	799	185	-	-	614
Total capital expenditures and leasing commissions (accrual basis)	59,751	26,336	21,461	7,355	4,599
Adjustments to reconcile to cash basis:					
Expenditures in the current year applicable to prior periods	40,067	14,685	10,946	3,595	10,841
Expenditures to be made in future periods for the current period	(43,359)	(16,004)	(18,720)	(5,620)	(3,015)
Total capital expenditures and leasing commissions (cash basis)	\$ 56,459	\$ 25,017	\$ 13,687	\$ 5,330	\$ 12,425
<i>Tenant improvements and leasing commissions:</i>					
<i>Per square foot per annum</i>	\$ 3.71	\$ 4.95	\$ 5.28	\$ 1.55	\$ -
<i>Percentage of initial rent</i>	9.0%	7.6%	13.1%	7.7%	-

Development and Redevelopment Expenditures in the three months ended March 31, 2012

(Amounts in thousands)	Total	New York	Washington, DC	Retail Properties	Other
Bergen Town Center	\$ 3,979	\$ -	\$ -	\$ 3,979	\$ -
Beverly Connection	3,437	-	-	3,437	-
510 Fifth Avenue	2,294	2,294	-	-	-
Poughkeepsie, New York	1,108	-	-	1,108	-
Other	9,796	2,990	3,945	2,262	599
	\$ 20,614	\$ 5,284	\$ 3,945	\$ 10,786	\$ 599

Liquidity and Capital Resources – continued

Other Commitments and Contingencies

We are from time to time involved in legal actions arising in the ordinary course of business. In our opinion, after consultation with legal counsel, the outcome of such matters is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

Each of our properties has been subjected to varying degrees of environmental assessment at various times. The environmental assessments did not reveal any material environmental contamination. However, there can be no assurance that the identification of new areas of contamination, changes in the extent or known scope of contamination, the discovery of additional sites, or changes in cleanup requirements would not result in significant costs to us.

Our mortgage loans are non-recourse to us. However, in certain cases we have provided guarantees or master leased tenant space. These guarantees and master leases terminate either upon the satisfaction of specified circumstances or repayment of the underlying loans. As of March 31, 2013, the aggregate dollar amount of these guarantees and master leases is approximately \$305,000,000.

At March 31, 2013, \$22,167,000 of letters of credit were outstanding under one of our revolving credit facilities. Our credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provide for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our credit facilities also contain customary conditions precedent to borrowing, including representations and warranties, and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

Two of our wholly owned subsidiaries that are contracted to develop and operate the Cleveland Medical Mart and Convention Center, in Cleveland, Ohio, are required to fund \$11,500,000, primarily for tenant improvements, and they are responsible for operating expenses and are entitled to the net operating income, if any, upon the completion of development and the commencement of operations. As of March 31, 2013, our subsidiaries have funded approximately \$4,000,000 of the commitment.

As of March 31, 2013, we expect to fund additional capital to certain of our partially owned entities aggregating approximately \$169,000,000.

Funds From Operations (“FFO”)

FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (“NAREIT”). NAREIT defines FFO as GAAP net income or loss adjusted to exclude net gain from sales of depreciated real estate assets, real estate impairment losses, depreciation and amortization expense from real estate assets, extraordinary items and other specified non-cash items, including the pro-rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers because it excludes the effect of real estate depreciation and amortization and net gains on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. FFO does not represent cash generated from operating activities and is not necessarily indicative of cash available to fund cash requirements and should not be considered as an alternative to net income as a performance measure or cash flows as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies. The calculations of both the numerator and denominator used in the computation of income per share are disclosed in footnote 21 – *Income per Share*, in the notes to our consolidated financial statements on page 30 of this Quarterly Report on Form 10-Q.

FFO for the Three Months Ended March 31, 2013 and 2012

FFO attributable to common shareholders plus assumed conversions was \$201,820,000, or \$1.08 per diluted share for the three months ended March 31, 2013, compared to \$348,452,000, or \$1.82 per diluted share, for the prior year’s quarter. Details of certain items that affect comparability are discussed in the financial results summary of our “Overview.”

	For The Three Months Ended March 31,	
	2013	2012
(Amounts in thousands, except per share amounts)		
Reconciliation of our net income to FFO:		
Net income attributable to Vornado	\$ 262,922	\$ 251,522
Depreciation and amortization of real property	132,513	132,558
Net gains on sale of real estate	(202,329)	(55,817)
Real estate impairment losses	1,514	-
Proportionate share of adjustments to equity in net income of Toys, to arrive at FFO:		
Depreciation and amortization of real property	19,325	17,288
Real estate impairment losses	3,650	7,026
Income tax effect of above adjustments	(8,050)	(8,497)
Proportionate share of adjustments to equity in net income of partially owned entities, excluding Toys, to arrive at FFO:		
Depreciation and amortization of real property	21,830	21,376
Net gains on sale of real estate	(465)	(661)
Real estate impairment losses	-	1,849
Noncontrolling interests' share of above adjustments	1,814	(7,060)
FFO	232,724	359,584
Preferred share dividends	(21,702)	(17,787)
Preferred share redemptions	(9,230)	-
FFO attributable to common shareholders	201,792	341,797
Interest on 3.88% exchangeable senior debentures	-	6,626
Convertible preferred share dividends	28	29
FFO attributable to common shareholders plus assumed conversions	\$ 201,820	\$ 348,452
Reconciliation of Weighted Average Shares		
Weighted average common shares outstanding	186,752	185,370
Effect of dilutive securities:		
Employee stock options and restricted share awards	727	730
Convertible preferred shares	50	50
3.88% exchangeable senior debentures	-	5,736
Denominator for FFO per diluted share	187,529	191,886
FFO attributable to common shareholders plus assumed conversions per diluted share	\$ 1.08	\$ 1.82

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have exposure to fluctuations in market interest rates. Market interest rates are sensitive to many factors that are beyond our control. Our exposure to a change in interest rates on our consolidated and non-consolidated debt (all of which arises out of non-trading activity) is as follows:

(Amounts in thousands, except per share amounts)

	2013			2012	
	March 31, Balance	Weighted Average Interest Rate	Effect of 1% Change In Base Rates	December 31, Balance	Weighted Average Interest Rate
Consolidated debt:					
Variable rate	\$ 1,601,651	2.18%	\$ 16,017	\$ 3,062,325	1.85%
Fixed rate	8,819,528	5.05%	-	8,129,009	5.18%
	<u>\$ 10,421,179</u>	4.61%	<u>16,017</u>	<u>\$ 11,191,334</u>	4.27%
Pro-rata share of debt of non-consolidated entities (non-recourse):					
Variable rate – excluding Toys	\$ 287,240	2.99%	2,872	\$ 264,531	2.88%
Variable rate – Toys	644,176	6.19%	6,442	703,922	5.69%
Fixed rate (including \$1,078,676 and \$1,148,407 of Toys debt in 2013 and 2012)	2,758,709 (1)	7.25%	-	3,030,476	7.04%
	<u>\$ 3,690,125</u>	6.73%	<u>9,314</u>	<u>\$ 3,998,929</u>	6.53%
Noncontrolling interests' share of above			(1,419)		
Total change in annual net income			\$ 23,912		
Per share-diluted			\$ 0.13		

(1)Excludes \$23.7 billion for our 26.2% pro rata share of LNR's liabilities related to consolidated CMBS and CDO trusts which are non-recourse to LNR and its equity holders, including us.

We may utilize various financial instruments to mitigate the impact of interest rate fluctuations on our cash flows and earnings, including hedging strategies, depending on our analysis of the interest rate environment and the costs and risks of such strategies. As of March 31, 2013, we have one interest rate cap with a principal amount of \$60,000,000 and an interest rate of 2.36%. This cap is based on a notional amount of \$60,000,000 and caps LIBOR at a rate of 7.00%. In addition, we have one interest rate swap on a \$425,000,000 mortgage loan that swapped the rate from LIBOR plus 2.00% (2.20% at March 31, 2013) to a fixed rate of 5.13% for the remaining five-year term of the loan.

As of March 31, 2013, we have investments in mezzanine loans with an aggregate carrying amount of \$150,149,000 that are based on variable interest rates which partially mitigate our exposure to a change in interest rates on our variable rate debt.

Fair Value of Debt

The estimated fair value of our consolidated debt is calculated based on current market prices and discounted cash flows at the rate at which similar loans could be made currently to borrowers with similar credit ratings, for the remaining term of such debt. As of March 31, 2013, the estimated fair value of our consolidated debt was \$10,673,000,000.

Derivative Instruments

We have, and may in the future enter into, derivative positions that do not qualify for hedge accounting treatment, including our economic interest in J.C. Penney common shares. Because these derivatives do not qualify for hedge accounting treatment, the gains or losses resulting from their mark-to-market at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income, net" on our consolidated statements of income. In addition, we are, and may in the future be, subject to additional expense based on the notional amount of the derivative positions and a specified spread over LIBOR. Because the market value of these instruments can vary significantly between periods, we may experience significant fluctuations in the amount of our investment income or expense in any given period. In the three months ended March 31, 2013 and 2012, we recognized a loss of \$22,540,000 and income of \$1,045,000, respectively, from derivative instruments.

Item 4. Controls and Procedures

Disclosure Controls and Procedures: The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2013, such disclosure controls and procedures were effective.

Internal Control Over Financial Reporting: There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934, as amended) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are from time to time involved in legal actions arising in the ordinary course of business. In our opinion, after consultation with legal counsel, the outcome of such matters is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

There were no material changes to the Risk Factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the first quarter of 2013, we issued 1,069 common shares upon the redemption of Class A units of the Operating Partnership held by persons who received units, in private placements in earlier periods, in exchange for their interests in limited partnerships that owned real estate. The common shares were issued without registration under the Securities Act of 1933 in reliance on Section 4 (2) of that Act.

Information relating to compensation plans under which our equity securities are authorized for issuance is set forth under Part III, Item 12 of the Annual Report on Form 10-K for the year ended December 31, 2012, and such information is incorporated by reference herein.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibits required by Item 601 of Regulation S-K are filed herewith or incorporated herein by reference and are listed in the attached Exhibit Index.

SIGNATURES

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

VORNADO REALTY TRUST

(Registrant)

Date: May 6, 2013

By: /s/ Joseph Macnow

Joseph Macnow, Executive Vice President –Finance
and Administration and Chief Financial Officer
(duly authorized officer and principal financial and
accounting officer)

EXHIBIT INDEX

Exhibit No.

3.3	-	Articles Supplementary, 5.40% Series L Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value – Incorporated by reference to Exhibit 3.6 to Vornado Realty Trust’s Registration Statement on Form 8-A (File No. 001-11954), filed on January 25, 2013	*
3.49	-	Forty-Fifth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of January 25, 2013 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 001-34482), filed on January 25, 2013	*
10.46	**	- Letter Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated February 27, 2013. Incorporated by reference to Exhibit 99.1 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on February 27, 2013	*
10.47	**	- Waiver and Release between Vornado Realty Trust and Michael D. Fascitelli, dated February 27, 2013. Incorporated by reference to Exhibit 99.2 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on February 27, 2013	*
10.48	-	Amendment to June 2011 Revolving Credit Agreement dated as of March 28, 2013, by and among Vornado Realty L.P., as Borrower, the banks listed on the signature pages, and J.P. Morgan Chase Bank N.A., as Administrative Agent	
10.49	-	Amendment to November 2011 Revolving Credit Agreement dated as of March 28, 2013, by and among Vornado Realty L.P., as Borrower, the banks listed on the signature pages, and J.P. Morgan Chase Bank N.A., as Administrative Agent	
10.50	**	- Form of Vornado Realty Trust 2013 Outperformance Plan Award Agreement	
15.1	-	Letter regarding Unaudited Interim Financial	
31.1	-	Rule 13a-14 (a) Certification of the Chief Executive Officer	
31.2	-	Rule 13a-14 (a) Certification of the Chief Financial Officer	
32.1	-	Section 1350 Certification of the Chief Executive Officer	
32.2	-	Section 1350 Certification of the Chief Financial Officer	
101.INS	-	XBRL Instance Document	
101.SCH	-	XBRL Taxonomy Extension Schema	
101.CAL	-	XBRL Taxonomy Extension Calculation Linkbase	
101.DEF	-	XBRL Taxonomy Extension Definition Linkbase	
101.LAB	-	XBRL Taxonomy Extension Label Linkbase	
101.PRE	-	XBRL Taxonomy Extension Presentation Linkbase	

* Incorporated by reference

** Management contract or compensation agreement

AMENDMENT NO. 1 TO
REVOLVING CREDIT AGREEMENT

dated as of March 28, 2013

among

VORNADO REALTY L.P.,
as Borrower,

THE BANKS SIGNATORY HERETO,
each as a Bank,

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent,

BANK OF AMERICA, N.A.,
as Syndication Agent,

and

BARCLAYS BANK PLC,
CITIBANK, N.A.
DEUTSCHE BANK TRUST COMPANY AMERICAS,
MORGAN STANLEY MUFG LOAN PARTNERS, LLC,
PNC BANK, NATIONAL ASSOCIATION,
THE ROYAL BANK OF SCOTLAND PLC,
UBS SECURITIES LLC,
U.S. BANK NATIONAL ASSOCIATION,
and
WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Documentation Agents

J.P. MORGAN SECURITIES LLC
and
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,
Co-Lead Arrangers and Joint Bookrunners

AMENDMENT NO. 1 TO REVOLVING CREDIT AGREEMENT

This **AMENDMENT NO. 1 TO REVOLVING CREDIT AGREEMENT**, dated as of March 28, 2013 (this "Amendment No. 1"), is by and among VORNADO REALTY L.P., a limited partnership organized and existing under the laws of the State of Delaware ("Borrower"), JPMORGAN CHASE BANK, N.A., as agent for the Banks defined below (in such capacity, together with its successors in such capacity, "Administrative Agent"), JPMORGAN CHASE BANK, N.A., in its individual capacity and not as Administrative Agent, and the other lenders signatory hereto, including each of Citibank, N.A., SunTrust Bank and TriState Capital Bank as a new Bank under the Credit Agreement (said lenders signatory hereto, each a "Bank" and collectively, the "Banks"). Reference is made to that certain Revolving Credit Agreement, dated as of June 8, 2011, by and among the Borrower, the Banks referenced therein and the Administrative Agent (such agreement, the "Credit Agreement"). Capitalized terms used herein without definition shall have the same meanings as set forth in the Credit Agreement, as amended hereby.

RECITALS

WHEREAS, the Borrower has requested that the Banks extend the Maturity Date, reduce the Applicable Rate, and make other amendments to the Credit Agreement, and the Banks are willing to make such changes as set forth herein;

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

SECTION 1. AMENDMENTS TO CREDIT AGREEMENT. As of the Amendment Effective Date (as defined in Section 3 hereof), the Credit Agreement is hereby amended as follows:

(i) The second paragraph of the Recitals is amended by deleting the amount "One Billion Four Hundred Million Dollars (\$1,400,000,000)" on the third line thereof and substituting the amount "One Billion Seven Hundred Fifty Million Dollars (\$1,750,000,000)" in place thereof.

(ii) The table in the definition of "Applicable Margin" set forth in Section 1.01 of the Credit Agreement is restated in its entirety to read as follows:

"Borrower's Credit Rating (S&P/Moody's Ratings)	Applicable Margin for Base Rate Loans (% per annum)	Applicable Margin for LIBOR Loans (% per annum)
A-/A3 or higher	0.000	0.950
BBB+/Baa1	0.050	1.050
BBB/Baa2	0.150	1.150
BBB-/Baa3	0.400	1.400
Below BBB-/Baa3 or unrated	0.750	1.750"

(iii) The definition of "Capitalization Value" set forth in Section 1.01 of the Credit Agreement is amended by deleting both references therein to the percentage "6.50%" (in

approximately the sixth and fourteenth lines thereof) and substituting the percentage “6.0%” in place thereof.

(iv) The definition of “Capitalization Value of Unencumbered Assets” set forth in Section 1.01 of the Credit Agreement is amended by deleting both references therein to the percentage “6.50%” (in approximately the seventh and thirteenth lines thereof) and substituting the percentage “6.0%” in place thereof.

(v) The definition of “Cash or Cash Equivalents” set forth in Section 1.01 of the Credit Agreement is amended by deleting the words “having a rating of at least AA or the equivalent” in clause (e) of such definition and substituting the words “having a rating of at least A or the equivalent” in place thereof.

(vi) The definition of “Equity Value” set forth in Section 1.01 of the Credit Agreement is deleted in its entirety.

(vii) The table in the definition of “Facility Fee” set forth in Section 1.01 of the Credit Agreement is restated in its entirety to read as follows:

“Borrower’s Credit Rating (S&P/Moody’s Ratings)”	Facility Fee (% per annum)
A-/A3 or higher	0.150
BBB+/Baa1	0.150
BBB/Baa2	0.200
BBB-/Baa3	0.300
Below BBB-/Baa3 or unrated	0.350”

(viii) The definition of “Maturity Date” set forth in Section 1.01 of the Credit Agreement is restated in its entirety to read as follows:

“Maturity Date’ means June 8, 2017, subject to extension pursuant to Section 2.18.”

(ix) The definition of “Qualified Institution” set forth in Section 1.01 of the Credit Agreement is amended by inserting the word “reasonably” before the words “acceptable to the Administrative Agent” (in approximately the fourth line thereof).

(x) Section 2.03(a) of the Credit Agreement is amended by deleting the reference therein to the amount “Seventy Five Million Dollars (\$75,000,000)” (in approximately the fifth and sixth lines thereof) and substituting the amount “One Hundred Million Dollars (\$100,000,000)” in place thereof.

(xi) Section 2.16(c) of the Credit Agreement is amended by (a) deleting the reference therein to the amount “One Hundred Fifty Million Dollars (\$150,000,000)” (in approximately the fourth and fifth lines thereof) and substituting the amount “Five Hundred Million Dollars (\$500,000,000)” in place thereof and (b) deleting the reference therein to the amount “One Billion Four Hundred Million Dollars (\$1,400,000,000)” (in approximately the sixth and seventh

lines thereof) and substituting the amount “One Billion Seven Hundred Fifty Million Dollars (\$1,750,000,000)” in place thereof.

(xii) Section 2.18 of the Credit Agreement is restated in its entirety to read as follows:

“SECTION 2.18 Extension Option. Borrower may extend the Maturity Date two times for a period of six (6) months for each extension (i.e., 12 months in the aggregate) upon satisfaction of the following terms and conditions: (i) delivery by Borrower of a written notice to Administrative Agent (an “Extension Notice”) on or before a date that is not more than one hundred twenty (120) days nor less than one (1) month prior to the then-scheduled Maturity Date, which Extension Notice Administrative Agent shall promptly deliver to the Banks, which Extension Notice shall include a certification dated as of the date of such Extension Notice signed by a duly authorized signatory of Borrower, stating, to the best of the certifying party’s knowledge, (x) all representations and warranties contained in this Agreement and in each of the other Loan Documents are true and correct on and as of the date of such Extension Notice (except in those cases where such representation or warranty expressly relates to an earlier date, in which case such representations and warranties were true and correct as of such date, and except for changes in factual circumstances not prohibited under the Loan Documents), and (y) no Event of Default has occurred and is continuing; (ii) no Event of Default shall have occurred and be continuing on the then-scheduled Maturity Date (an “Extension Date”), and (iii) if the then-scheduled Maturity Date is extended, Borrower shall pay to Administrative Agent on or before the Extension Date for each extension a fee equal to 0.075% of the Total Loan Commitment on such Extension Date, which fee shall be distributed by Administrative Agent pro rata to each of the Banks based on each Bank’s Pro Rata Share. Borrower’s delivery of an Extension Notice shall be irrevocable.”

(xiii) Section 8.01 of the Credit Agreement is deleted in its entirety and the following is substituted in place thereof:

“SECTION 8.01 [Reserved].”

(xiv) Paragraph (7) of Section 9.01 of the Credit Agreement is amended by inserting the following at the end of such paragraph (7) immediately after the words “Twenty Million Dollars (\$20,000,000)”:

“and such event or condition is unremedied, or such tax, penalty or other liability is not reserved against or the payment thereof otherwise secured to the reasonable satisfaction of the Administrative Agent, for a period of forty-five (45) consecutive days after notice from the Administrative Agent;”

(xv) Section 12.02 of the Credit Agreement is amended by restating clause (7) of the proviso to the first sentence thereof to read as follows:

“(7) release any guaranty (other than a guaranty given pursuant to Section 12.21 or Section 12.22);”

(xvi) Section 12.21 of the Credit Agreement is amended by restating the first sentence thereof to read as follows:

“From time to time, on not less than five (5) Banking Days’ notice, the Borrower may request proceeds of the Loans be used to refinance or acquire properties secured by certain secured mortgage Debt of the Borrower and/or its Subsidiaries, in which event, a portion of the Loans equal to the amount of the advances made hereunder in connection with such refinancing or acquisition, at the Borrower’s election, may be secured by an amended and restated mortgage on the property securing the mortgage Debt to be so refinanced or acquired (a “Refinancing Mortgage”) and evidenced by a mortgage note executed by Borrower and/or one or more Subsidiaries (provided that if Borrower shall not execute such mortgage note, the Borrower shall execute a guaranty of such mortgage note), as more particularly set forth in Section 2.09.”

(xvii) Schedule 1 to the Credit Agreement is deleted in its entirety and Schedule 1 to this Amendment No. 1 is substituted in place thereof. On the Amendment Effective Date, the outstanding Loans shall be allocated in accordance with the Loan Commitments set forth in such Schedule 1 attached to this Amendment No. 1.

Each of Citibank, N.A., SunTrust Bank and TriState Capital Bank hereby agrees to provide a new Loan Commitment in the amounts set forth on Schedule 1 attached to this Amendment No. 1. From and after the date hereof, each of Citibank, N.A., SunTrust Bank and TriState Capital Bank agrees to become and shall be deemed to be a Bank for all purposes of the Credit Agreement, and each reference to the Banks in the Credit Agreement shall be deemed to include each of Citibank, N.A., SunTrust Bank and TriState Capital Bank. Each of Citibank, N.A., SunTrust Bank and TriState Capital Bank hereby appoints JPMorgan Chase Bank, N.A. as the Administrative Agent and authorizes the Administrative Agent to take such action on its behalf and to exercise such powers under the Credit Agreement and the other Loan Documents as are delegated to the Administrative Agent by the terms thereof.

On the Amendment Effective Date, the Loan Commitments of each of ING Real Estate Finance (USA) LLC, Chang Hwa Commercial Bank, Ltd., New York Branch, Union Bank, N.A. and Citicorp North America, Inc. (each, an “Exiting Bank”) shall be terminated and each Exiting Bank shall cease to be a Bank under the Credit Agreement.

Each of the other Banks party hereto confirms the amount of its Loan Commitment as set forth in Schedule 1 attached to this Amendment No. 1.

Borrower shall issue to each Bank whose Loan Commitment is being modified in accordance with Schedule 1 hereto, and each such Bank shall accept, an amended and restated note in the form of Exhibit A-1 hereto.

(xviii) Schedule 2A to the Credit Agreement is amended by inserting the following new investment at the end of such Schedule 2A:

	State of Organization	Percentage of Ownership	Asset owned (other than VRLP units)
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Vornado Investments Corporation	Delaware	100.00%	Shares in Capital Trust Inc. and Saks Inc.
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(xix) Schedule 3 to the Credit Agreement is deleted in its entirety and Schedule 3 to this Amendment No. 1 is substituted in place thereof.

(xx) The parties hereto acknowledge and agree that the Banks listed on the cover page to this Amendment No. 1 shall be the Documentation Agents for the Credit Agreement as amended by this Amendment No. 1. The Banks serving as Documentation Agents shall have no duties or obligations in such capacity, and shall in no event be subject to any fiduciary or implied duties.

(xxi) Banks who are also parties to the Revolving Credit Agreement dated as of November 7, 2011 among the Borrower, JPMorgan Chase Bank, N.A., as Administrative Agent and the lenders party thereto (the "November 2011 Credit Agreement") hereby consent to the amendment of the November 2011 Credit Agreement to conform its terms in all material respects to the terms of the Credit Agreement, as amended by this Amendment No. 1, other than the pricing and tenor changes and shall execute and deliver such further agreements as the administrative agent under the November 2011 Credit Agreement may reasonably request (provided the effectiveness of any such amendment shall be dependent on compliance with the voting provisions of the November 2011 Credit Agreement).

SECTION 2. REPRESENTATIONS AND WARRANTIES OF THE BORROWER

In order to induce the Banks and Administrative Agent to enter into this Amendment No. 1, the Borrower represents and warrants to each Bank and Administrative Agent that the following statements are true, correct and complete:

(i) The execution, delivery and performance by the Borrower of this Amendment No. 1, the Credit Agreement as amended by this Amendment No. 1 (the "Amended Credit Agreement"), and any Notes executed in connection with this Amendment No. 1 (such Notes together with this Amendment No. 1 and the Amended Credit Agreement, collectively, the "Amendment Documents") are within its partnership authority, have been duly authorized by all requisite action, and are not in conflict with the terms of any organizational instruments of such entity, or any instrument or agreement to which Borrower or General Partner is a party or by which Borrower, General Partner or any of their respective assets may be bound or affected;

(ii) The officers of General Partner executing this Amendment No. 1 and any other Amendment Documents required to be delivered by it on behalf of Borrower hereunder have been duly elected or appointed and were fully authorized to execute the same at the time each such Amendment Document was executed;

(iii) The execution and delivery of, and the performance of the obligations required to be performed by Borrower under, this Amendment No. 1 and any other Amendment Documents do not and will not (a) violate any provision of, or, except for those which have been made or obtained, require any filing (other than SEC disclosure filings), registration, consent or

approval under, any Law (including, without limitation, Regulation U), order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it, except for such violations, or filings, registrations, consents and approvals which if not done or obtained would not likely cause a Material Adverse Change to occur, (b) result in a breach of or constitute a default under or require any consent under any indenture or loan or credit agreement or any other agreement, lease or instrument to which it may be a party or by which it or its properties may be bound or affected except for consents which have been obtained or which if not obtained are not likely to cause a Material Adverse Change to occur, (c) result in, or require, the creation or imposition of any Lien, upon or with respect to any of its properties now owned or hereafter acquired which would likely cause a Material Adverse Change to occur, or (d) cause it to be in default under any such Law, order, writ, judgment, injunction, decree, determination or award or any such indenture, agreement, lease or instrument which would likely cause a Material Adverse Change to occur; to the best of its knowledge, Borrower is in compliance with all Laws applicable to it and its properties where the failure to be in compliance would cause a Material Adverse Change to occur;

(iv) Each of this Amendment No. 1 and the other Amendment Documents is a legal, valid and binding obligation of Borrower, enforceable in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally, as well as general principles of equity;

(v) This Amendment No. 1 and the other Amendment Documents have been duly executed and delivered by the Borrower;

(vi) The representations and warranties of the Borrower contained in Article V of the Credit Agreement are and will be true and correct in all material respects on and as of the Amendment Effective Date to the same extent as though made on and as of such dates (except in those cases where such representation or warranty expressly relates to an earlier date, in which case such representations and warranties were true and correct as of such date, and except for changes in factual circumstances permitted hereunder), provided that Section 5.20 of the Credit Agreement is qualified insofar as the Borrower will be required to file this Amendment No. 1 in connection with its compliance with its periodic reporting obligations; and

(vii) No Default or Event of Default has occurred and is continuing.

SECTION 3. CONDITIONS TO EFFECTIVENESS

Except as set forth below, Section 1 of this Amendment No. 1 shall become effective only upon the satisfaction of the following conditions precedent (the "Amendment Effective Date"):

A. The Borrower, the Administrative Agent, and each of the Banks party to the Credit Agreement and/or this Amendment No. 1 (other than the Exiting Banks) shall have indicated their consent hereto by the execution and delivery of the signature pages hereof to the Administrative Agent.

B. The Administrative Agent shall have received a secretary's certificate of the Borrower (i) either confirming that there have been no changes to its organizational documents since June

8, 2011, or if there have been changes to the Borrower's organizational documents since such date, certifying as to such changes, and (ii) certifying as to resolutions and incumbency of officers with respect to this Amendment No. 1 and the transactions contemplated hereby.

C. The Administrative Agent shall have received all reasonable out-of-pocket costs and expenses for which invoices have been presented (including the reasonable fees and expenses of legal counsel for which the Borrower agrees it is responsible pursuant to Section 12.04 of the Credit Agreement), incurred in connection with this Amendment No. 1.

D. Delivery to the Administrative Agent by Sullivan & Cromwell LLP and Venable LLP, as counsel to the Borrower, of an opinion addressed to the Banks and the Administrative Agent in form and substance reasonably satisfactory to the Administrative Agent.

E. Payment by the Borrower of any mutually agreed upon compensation to the Banks in connection with this Amendment No. 1.

F. Execution and delivery by the Borrower of new or replacement Ratable Loan Notes payable to each of the Banks which is providing a new or modified Loan Commitment in accordance with Schedule 1 hereto in the amount of their respective Loan Commitments set forth on Schedule 1 hereto.

G. Upon satisfaction of the foregoing conditions, the Administrative Agent shall deliver written notice to the Borrower and the Banks of the Amendment Effective Date.

SECTION 4. MISCELLANEOUS

A. Reference to and Effect on the Credit Agreement and the Other Loan Documents.

(i) On and after the effective date of this Amendment No. 1, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Credit Agreement and each reference in the other Loan Documents to the "Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Amended Credit Agreement. This Amendment No. 1 shall be deemed to be a "Loan Document" under the Credit Agreement.

(ii) Except as specifically amended by this Amendment No. 1, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(iii) The execution, delivery and performance of this Amendment No. 1 shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of the Administrative Agent or any Bank under the Credit Agreement or any of the other Loan Documents.

B. Headings. Section and subsection headings in this Amendment No. 1 are included herein for convenience of reference only and shall not constitute a part of this Amendment No. 1 for any other purpose or be given any substantive effect.

C. Applicable Law. THIS AMENDMENT NO. 1 AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

D. Counterparts; Effectiveness. This Amendment No. 1 may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. This Amendment No. 1 (other than the provisions of Section 1 hereof, the effectiveness of which is governed by Section 3 hereof) shall become effective upon the execution of a counterpart hereof by the Borrower and the Banks. Delivery of an executed counterpart of a signature page to this Amendment No. 1 by telecopy or other electronic means shall be effective as delivery of a manually executed counterpart of this Amendment No. 1.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

VORNADO REALTY L.P.,
a Delaware limited partnership

By: Vornado Realty Trust,
a Maryland real estate investment trust,
general partner

By: /s/ Alan Rice
Name: Alan Rice
Title: Senior Vice President

JPMORGAN CHASE BANK, N.A., as Administrative Agent and as a Bank

By: /s/ Brendan M. Poe

Name: Brendan M. Poe

Title: Executive Director

BANK OF AMERICA, N.A.

By: /s/ Ronald Odlozil

Name: Ronald Odlozil

Title: Senior Vice President

BARCLAYS BANK PLC

By: /s/ Ronnie Glenn
Name: Ronnie Glenn
Title: Vice President

CITIBANK, N.A.

By: /s/ John C. Rowland
Name: John C. Rowland
Title: Vice President

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ George R. Reynolds
Name: George R. Reynolds
Title: Director

By: /s/ James Rolison
Name: James Rolison
Title: Managing Director

GOLDMAN SACHS BANK USA

By: /s/ Mark Walton
Name: Mark Walton
Title: Authorized Signatory

MORGAN STANLEY BANK, N.A.

By: /s/ Michael King
Name: Michael King
Title: Authorized Signatory

THE ROYAL BANK OF SCOTLAND PLC

By: /s/ L. Peter Yetman

Name: L. Peter Yetman

Title: Director

UBS AG, STAMFORD BRANCH

By: /s/ Joselin Fernandes
Name: Joselin Fernandes
Title: Associate Director

By: /s/ David Urban
Name: David Urban
Title: Associate Director

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ D. Bryan Gregory

Name: D. Bryan Gregory

Title: Director

HSBC BANK USA, NATIONAL ASSOCIATION

By: /s/ Barbara Isaacman

Name: Barbara Isaacman

Title: Vice President

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Denise Smyth
Name: Denise Smyth
Title: Senior Vice President

SUMITOMO MITSUI BANKING CORPORATION

By: /s/ William Karl
Name: William Karl
Title: General Manager

THE BANK OF NEW YORK MELLON

By: /s/ Carol Murray
Name: Carol Murray
Title: Managing Director

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Dave Heller

Name: Dave Heller

Title: Senior Vice President

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH

By: /s/ Mikhail Faybusovich
Name: Mikhail Faybusovich
Title: Director

By: /s/ Tyler R. Smith
Name: Tyler R. Smith
Title: Associate

CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK

By: /s/ Adam Jenner

Name: Adam Jenner

Title: Vice President

By: /s/ Steven Jonassen

Name: Steven Jonassen

Title: Managing Director

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., NEW YORK BRANCH

By: /s/ Charles Stewart

Name: Charles Stewart

Title: Director

COMPASS BANK

By: /s/ S. Kent Gorman

Name: S. Kent Gorman

Title: Senior Vice President

BRANCH BANKING AND TRUST COMPANY

By: /s/ Roger E. Searls

Name: Roger E. Searls

Title: Senior Vice President

TD BANK, N.A.

By: /s/ John Valladares

Name: John Valladares

Title: Vice President

LANDESBANK BADEN-WÜRTTEMBERG, NEW YORK BRANCH

By: /s/ Leonard Crann

Name: Leonard Crann

Title: General Manager

By: /s/ Andrew Fleming

Name: Andrew Fleming

Title: Associate Real Estate Finance Group

PEOPLE'S UNITED BANK

By: /s/ David A. Lewis Jr.

Name: David A. Lewis Jr.

Title: Institutional Real Estate, Group Head, Senior Vice President

SOVEREIGN BANK

By: /s/ Michael J. Corbett

Name: Michael J. Corbett

Title: SVP

CAPITAL ONE, N.A.

By: /s/ Marlene Schwartz

Name: Marlene Schwartz

Title: Senior Vice President

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD., LOS ANGELES
BRANCH

By: /s/ Hsiao-Ho Huang
Name: Hsiao-Ho Huang
Title: SVP & GM

Manufacturers and Traders Trust Company

By: /s/ Brennan E. Keating
Name: Brennan E. Keating
Title: Vice President

BANK HAPOALIM B.M.

By: /s/ James P. Surless

Name: James P. Surless

Title: Vice President

By: /s/ Charles McLaughlin

Name: Charles McLaughlin

Title: Senior Vice President

SUNTRUST BANK

By: /s/ Nancy B. Richards
Name: Nancy B. Richards
Title: Senior Vice President

TRISTATE CAPITAL BANK

By: /s/ Alex Fatenko

Name: Alex Fatenko

Title: Senior Vice President

SCHEDULE 1

Loan Commitments

<u>Bank</u>	<u>Loan Commitment</u>
JPMORGAN CHASE BANK, N.A.	\$65,000,000.00
BANK OF AMERICA, N.A.	\$65,000,000.00
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., NEW YORK BRANCH	\$55,000,000.00
BARCLAYS BANK PLC	\$55,000,000.00
CITIBANK, N.A.	\$55,000,000.00
DEUTSCHE BANK TRUST COMPANY AMERICAS	\$55,000,000.00
PNC BANK, NATIONAL ASSOCIATION	\$55,000,000.00
THE ROYAL BANK OF SCOTLAND PLC	\$55,000,000.00
UBS AG, STAMFORD BRANCH	\$55,000,000.00
U.S. BANK NATIONAL ASSOCIATION	\$55,000,000.00
WELLS FARGO BANK, N.A.	\$55,000,000.00
GOLDMAN SACHS BANK USA	\$50,000,000.00
HSBC BANK USA, NATIONAL ASSOCIATION	\$50,000,000.00
MORGAN STANLEY BANK, N.A.	\$50,000,000.00
SUMITOMO MITSUI BANKING CORPORATION	\$50,000,000.00
COMPASS BANK	\$40,000,000.00
CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH	\$40,000,000.00
THE BANK OF NEW YORK MELLON	\$35,000,000.00
BRANCH BANKING AND TRUST COMPANY	\$35,000,000.00
CAPITAL ONE, N.A.	\$35,000,000.00
CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK	\$35,000,000.00
SOVEREIGN BANK	\$35,000,000.00
LANDESBANK BADEN-WÜRTTEMBERG, NEW YORK BRANCH	\$25,000,000.00
MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. LOS ANGELES BRANCH	\$25,000,000.00
PEOPLE'S UNITED BANK	\$25,000,000.00
SUNTRUST BANK	\$25,000,000.00
TD BANK, N.A.	\$25,000,000.00
BANK HAPOALIM B.M.	\$20,000,000.00
MANUFACTURERS AND TRADERS TRUST COMPANY	\$15,000,000.00
TRISTATE CAPITAL BANK	<u>\$10,000,000.00</u>
 Total	 <u>\$1,250,000,000.00</u>

SCHEDULE 3

General Partner - Debt

None

AMENDED AND RESTATED RATABLE LOAN NOTE

\$ _____

New York, New York
March 28, 2013

For value received, Vornado Realty L.P., a Delaware limited partnership (“Borrower”), hereby promises to pay to the order of _____ or its successors or assigns (collectively, the “Bank”), at the principal office of JPMorgan Chase Bank, N.A. located at 270 Park Avenue, New York, New York 10017 (“Administrative Agent”) for the account of the Applicable Lending Office of the Bank, the principal sum of _____ Dollars (\$_____) or, if less, the amount loaned by the Bank as Ratable Loans and Swingline Loans to Borrower pursuant to the Loan Agreement (as defined below) and actually outstanding, in lawful money of the United States and in immediately available funds, in accordance with the terms set forth in the Loan Agreement. Borrower also promises to pay interest on the unpaid principal balance hereof, for the period such balance is outstanding, in like money, at said office for the account of said Applicable Lending Office, at the times and at the rates per annum as provided in the Loan Agreement. Any amount of principal hereof which is not paid when due, whether at stated maturity, by acceleration, or otherwise, shall bear interest from the date when due until said principal amount is paid in full, payable on demand, at the rates set forth in the Loan Agreement,

The date and amount of each advance of a Ratable Loan or a Swingline Loan made by the Bank to Borrower under the Loan Agreement, and each payment of said Ratable Loan or Swingline Loan, shall be recorded by the Bank on its books and, prior to any transfer of this Note (or, at the discretion of the Bank, at any other time), may be endorsed by the Bank on the schedule attached hereto and any continuation thereof.

This Amended and Restated Ratable Loan Note amends, restates and replaces in full that certain Ratable Loan Note, dated as of June 8, 2011, from Borrower to Bank in the original principal amount of \$[_____] (the “Original Note”). This Note is issued in substitution for, and not in payment of or in satisfaction of, any amounts outstanding to Bank under such Original Note. This Note is one of the Ratable Loan Notes referred to in the Revolving Credit Agreement dated as of June 8, 2011, as amended by Amendment No. 1 to Revolving Credit Agreement dated as of March 28, 2013 (as the same may be further amended from time to time, the “Loan Agreement”) among Borrower, the Banks named therein (including the Bank) and Administrative Agent, as administrative agent for the Banks. All of the terms, conditions and provisions of the Loan Agreement are hereby incorporated by reference. All capitalized terms used herein and not defined herein shall have the meanings given to them in the Loan Agreement.

The Loan Agreement contains, among other things, provisions for the prepayment of and acceleration of this Note upon the happening of certain stated events.

No recourse shall be had under this Note against the General Partner or the VRT Principals except as and to the extent set forth in Section 11.02 of the Loan Agreement.

All parties to this Note, whether principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest, notice of protest and notice of dishonor.

This Note shall be governed by the laws of the State of New York.

[Signature Page to Follow]

IN WITNESS WHEREOF, Borrower has executed and delivered this Note on the day and year first above written.

VORNADO REALTY L.P.,
a Delaware limited partnership

By: Vornado Realty Trust,
a Maryland real estate investment trust,
general partner

By: _____
Name:
Title:

This is to certify that this Note was executed in my presence on the date hereof by the party whose signature appears above in the capacity indicated.

Notary Public

My commission expires:

[Signature Page - A/R Ratable Loan Note (Bank)]

<u>Date</u>	<u>Type of Advance</u>	<u>Amount of Advance</u>	<u>Amount of Payment</u>	<u>Balance Outstanding</u>	<u>Notation By</u>

AMENDMENT NO. 1 TO REVOLVING CREDIT AGREEMENT

This **AMENDMENT NO. 1 TO REVOLVING CREDIT AGREEMENT**, dated as of March 28, 2013 (this "**Amendment No. 1**"), is by and among VORNADO REALTY L.P., a limited partnership organized and existing under the laws of the State of Delaware ("**Borrower**"), JPMORGAN CHASE BANK, N.A., as agent for the Banks defined below (in such capacity, together with its successors in such capacity, "**Administrative Agent**"), JPMORGAN CHASE BANK, N.A., in its individual capacity and not as Administrative Agent, and the other lenders signatory hereto (said lenders signatory hereto, each a "**Bank**" and collectively, the "**Banks**"). Reference is made to that certain Revolving Credit Agreement, dated as of November 7, 2011, by and among the Borrower, the Banks referenced therein and the Administrative Agent (such agreement, the "**Credit Agreement**"). Capitalized terms used herein without definition shall have the same meanings as set forth in the Credit Agreement, as amended hereby.

RECITALS

WHEREAS, the Borrower has requested that the Banks make certain amendments to the Credit Agreement, and the Banks are willing to make such changes as set forth herein;

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

SECTION 1. AMENDMENTS TO CREDIT AGREEMENT. As of the Amendment Effective Date (as defined in Section 3 hereof), the Credit Agreement is hereby amended as follows:

(i) The definition of "Capitalization Value" set forth in Section 1.01 of the Credit Agreement is amended by deleting both references therein to the percentage "6.50%" (in approximately the sixth and fourteenth lines thereof) and substituting the percentage "6.0%" in place thereof.

(ii) The definition of "Capitalization Value of Unencumbered Assets" set forth in Section 1.01 of the Credit Agreement is amended by deleting both references therein to the percentage "6.50%" (in approximately the seventh and thirteenth lines thereof) and substituting the percentage "6.0%" in place thereof.

(iii) The definition of "Cash or Cash Equivalents" set forth in Section 1.01 of the Credit Agreement is amended by deleting the words "having a rating of at least AA or the equivalent" in clause (e) of such definition and substituting the words "having a rating of at least A or the equivalent" in place thereof.

(iv) The definition of "Equity Value" set forth in Section 1.01 of the Credit Agreement is deleted in its entirety.

(v) The definition of "Qualified Institution" set forth in Section 1.01 of the Credit Agreement is amended by inserting the word "reasonably" before the words "acceptable to the Administrative Agent" (in approximately the fourth line thereof).

(vi) Section 8.01 of the Credit Agreement is deleted in its entirety and the following is substituted in place thereof:

“SECTION 8.01 [Reserved].”

(vii) Paragraph (7) of Section 9.01 of the Credit Agreement is amended by inserting the following at the end of such paragraph (7) immediately after the words “Twenty Million Dollars (\$20,000,000)”:

“and such event or condition is unremedied, or such tax, penalty or other liability is not reserved against or the payment thereof otherwise secured to the reasonable satisfaction of the Administrative Agent, for a period of forty-five (45) consecutive days after notice from the Administrative Agent;”

(viii) Section 12.21 of the Credit Agreement is amended by restating the first sentence thereof to read as follows:

“From time to time, on not less than five (5) Banking Days’ notice, the Borrower may request proceeds of the Loans be used to refinance or acquire properties secured by certain secured mortgage Debt of the Borrower and/or its Subsidiaries, in which event, a portion of the Loans equal to the amount of the advances made hereunder in connection with such refinancing or acquisition, at the Borrower’s election, may be secured by an amended and restated mortgage on the property securing the mortgage Debt to be so refinanced or acquired (a “Refinancing Mortgage”) and evidenced by a mortgage note executed by Borrower and/or one or more Subsidiaries (provided that if Borrower shall not execute such mortgage note, the Borrower shall execute a guaranty of such mortgage note), as more particularly set forth in Section 2.09.”

(ix) Schedule 2A to the Credit Agreement is amended by inserting the following new investment at the end of such Schedule 2A:

	State of Organization	Percentage of Ownership	Asset owned (other than VRLP units)
Vornado Investments Corporation	Delaware	100.00%	Shares in Capital Trust Inc. and Saks Inc.

(x) Schedule 3 to the Credit Agreement is deleted in its entirety and Schedule 3 to this Amendment No. 1 is substituted in place thereof.

SECTION 2. REPRESENTATIONS AND WARRANTIES OF THE BORROWER

In order to induce the Banks and Administrative Agent to enter into this Amendment No. 1, the Borrower represents and warrants to each Bank and Administrative Agent that the following statements are true, correct and complete:

(i) The execution, delivery and performance by the Borrower of this Amendment No. 1 and the Credit Agreement as amended by this Amendment No. 1 (the “Amended Credit Agreement”, and together with this Amendment No. 1, collectively, the “Amendment Documents”) are within its partnership authority, have been duly authorized by all requisite action, and are not in conflict with the terms of any organizational instruments of such entity, or any instrument or agreement to which Borrower or General Partner is a party or by which Borrower, General Partner or any of their respective assets may be bound or affected;

(ii) The officers of General Partner executing this Amendment No. 1 on behalf of Borrower hereunder have been duly elected or appointed and were fully authorized to execute the same at the time the same was executed;

(iii) The execution and delivery of, and the performance of the obligations required to be performed by Borrower under, this Amendment No. 1 and the other Amendment Document do not and will not (a) violate any provision of, or, except for those which have been made or obtained, require any filing (other than SEC disclosure filings), registration, consent or approval under, any Law (including, without limitation, Regulation U), order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it, except for such violations, or filings, registrations, consents and approvals which if not done or obtained would not likely cause a Material Adverse Change to occur, (b) result in a breach of or constitute a default under or require any consent under any indenture or loan or credit agreement or any other agreement, lease or instrument to which it may be a party or by which it or its properties may be bound or affected except for consents which have been obtained or which if not obtained are not likely to cause a Material Adverse Change to occur, (c) result in, or require, the creation or imposition of any Lien, upon or with respect to any of its properties now owned or hereafter acquired which would likely cause a Material Adverse Change to occur, or (d) cause it to be in default under any such Law, order, writ, judgment, injunction, decree, determination or award or any such indenture, agreement, lease or instrument which would likely cause a Material Adverse Change to occur; to the best of its knowledge, Borrower is in compliance with all Laws applicable to it and its properties where the failure to be in compliance would cause a Material Adverse Change to occur;

(iv) Each of this Amendment No. 1 and the other Amendment Document is a legal, valid and binding obligation of Borrower, enforceable in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors’ rights generally, as well as general principles of equity;

(v) This Amendment No. 1 has been duly executed and delivered by the Borrower;

(vi) The representations and warranties of the Borrower contained in Article V of the Credit Agreement are and will be true and correct in all material respects on and as of the Amendment Effective Date to the same extent as though made on and as of such dates (except in those cases where such representation or warranty expressly relates to an earlier date, in which case such representations and warranties were true and correct as of such date, and except for changes in factual circumstances permitted hereunder), provided that Section 5.20 of the Credit

Agreement is qualified insofar as the Borrower will be required to file this Amendment No. 1 in connection with its compliance with its periodic reporting obligations; and

(vii) No Default or Event of Default has occurred and is continuing.

SECTION 3. CONDITIONS TO EFFECTIVENESS

Except as set forth below, Section 1 of this Amendment No. 1 shall become effective only upon the satisfaction of the following conditions precedent (the “**Amendment Effective Date**”):

A. The Borrower, the Administrative Agent, and the Required Banks under the Credit Agreement shall have indicated their consent hereto by the execution and delivery of the signature pages hereof to the Administrative Agent.

B. The Administrative Agent shall have received all reasonable out-of-pocket costs and expenses for which invoices have been presented (including the reasonable fees and expenses of legal counsel for which the Borrower agrees it is responsible pursuant to Section 12.04 of the Credit Agreement), incurred in connection with this Amendment No. 1.

C. Upon satisfaction of the foregoing conditions, the Administrative Agent shall deliver written notice to the Borrower and the Banks of the Amendment Effective Date.

SECTION 4. MISCELLANEOUS

A. Reference to and Effect on the Credit Agreement and the Other Loan Documents.

(i) On and after the effective date of this Amendment No. 1, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof”, “herein” or words of like import referring to the Credit Agreement and each reference in the other Loan Documents to the “Credit Agreement”, “thereunder”, “thereof” or words of like import referring to the Credit Agreement shall mean and be a reference to the Amended Credit Agreement. This Amendment No. 1 shall be deemed to be a “Loan Document” under the Credit Agreement.

(ii) Except as specifically amended by this Amendment No. 1, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(iii) The execution, delivery and performance of this Amendment No. 1 shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of the Administrative Agent or any Bank under the Credit Agreement or any of the other Loan Documents.

B. Headings. Section and subsection headings in this Amendment No. 1 are included herein for convenience of reference only and shall not constitute a part of this Amendment No. 1 for any other purpose or be given any substantive effect.

C. Applicable Law. THIS AMENDMENT NO. 1 AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

D. Counterparts; Effectiveness. This Amendment No. 1 may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. This Amendment No. 1 (other than the provisions of Section 1 hereof, the effectiveness of which is governed by Section 3 hereof) shall become effective upon the execution of a counterpart hereof by the Borrower and the Required Banks. Delivery of an executed counterpart of a signature page to this Amendment No. 1 by telecopy or other electronic means shall be effective as delivery of a manually executed counterpart of this Amendment No. 1.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

VORNADO REALTY L.P.,
a Delaware limited partnership

By: Vornado Realty Trust,
a Maryland real estate investment trust,
general partner

By: /s/ Alan Rice
Name: Alan Rice
Title: Senior Vice President

JPMORGAN CHASE BANK, N.A., as Administrative Agent and as a Bank

By: /s/ Brendan M. Poe

Name: Brendan M. Poe

Title: Executive Director

BANK OF AMERICA, N.A.

By: /s/ Ronald Odlozil

Name: Ronald Odlozil

Title: Senior Vice President

BARCLAYS BANK PLC

By: /s/ Ronnie Glenn
Name: Ronnie Glenn
Title: Vice President

CITIBANK, N.A.

By: /s/ John C. Rowland

Name: John C. Rowland

Title: Vice President

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ George R. Reynolds
Name: George R. Reynolds
Title: Director

By: /s/ James Rolison
Name: James Rolison
Title: Managing Director

GOLDMAN SACHS BANK USA

By: /s/ Mark Walton
Name: Mark Walton
Title: Authorized Signatory

MORGAN STANLEY BANK, N.A.

By: /s/ Michael King
Name: Michael King
Title: Authorized Signatory

THE ROYAL BANK OF SCOTLAND PLC

By: /s/ L. Peter Yetman

Name: L. Peter Yetman

Title: Director

UBS AG, STAMFORD BRANCH

By: /s/ Joselin Fernandes
Name: Joselin Fernandes
Title: Associate Director

By: /s/ David Urban
Name: David Urban
Title: Associate Director

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ D. Bryan Gregory
Name: D. Bryan Gregory
Title: Director

HSBC BANK USA, NATIONAL ASSOCIATION

By: /s/ Barbara Isaacman

Name: Barbara Isaacman

Title: Vice President

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Denise Smyth

Name: Denise Smyth

Title: Senior Vice President

SUMITOMO MITSUI BANKING CORPORATION

By: /s/ William Karl
Name: William Karl
Title: General Manager

THE BANK OF NEW YORK MELLON

By: /s/ Carol Murray
Name: Carol Murray
Title: Managing Director

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Dave Heller

Name: Dave Heller

Title: Senior Vice President

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH

By: /s/ Mikhail Faybusovich
Name: Mikhail Faybusovich
Title: Director

By: /s/ Tyler R. Smith
Name: Tyler R. Smith
Title: Associate

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., NEW YORK BRANCH

By: /s/ Charles Stewart

Name: Charles Stewart

Title: Director

COMPASS BANK

By: /s/ S. Kent Gorman

Name: S. Kent Gorman

Title: Senior Vice President

BRANCH BANKING AND TRUST COMPANY

By: /s/ Roger E Searls

Name: Roger E Searls

Title: Senior Vice President

CAPITAL ONE, N.A.

By: /s/ Marlene Schwartz

Name: Marlene Schwartz

Title: Senior Vice President

FIFTH THIRD BANK

By: /s/ Casey Gehrig _____
Name: Casey Gehrig
Title: Vice President

SCHEDULE 3

General Partner - Debt

None

**VORNADO REALTY TRUST
2013 OUTPERFORMANCE PLAN
AWARD AGREEMENT**

2013 OUTPERFORMANCE PLAN AWARD AGREEMENT made as of the date set forth on Schedule A hereto between VORNADO REALTY TRUST, a Maryland real estate investment trust (the “**Company**”), its subsidiary VORNADO REALTY L.P., a Delaware limited partnership and the entity through which the Company conducts substantially all of its operations (the “**Partnership**”), and the party listed on Schedule A (the “**Grantee**”).

RECITALS

A. The Grantee is an employee or trustee of, or a consultant or advisor to, the Company or one of its Affiliates and provides services to the Partnership.

B. The Compensation Committee (the “**Committee**”) of the Board of Trustees of the Company (the “**Board**”) approved this and other 2013 outperformance plan (“**2013 OPP**”) awards pursuant to the Company’s 2010 Omnibus Share Plan, as amended (as amended, restated and supplemented from time to time, the “**2010 Plan**”) to provide certain trustees, consultants, advisors, officers and key employees of the Company or its Affiliates, including the Grantee, in connection with their employment or other service relationship with the incentive compensation described in this Award Agreement (this “**Agreement**”) and thereby provide additional incentive for them to promote the progress and success of the business of the Company and its Affiliates, including the Partnership. 2013 OPP awards were approved by the Committee pursuant to authority delegated to it by the Board, including authority to make grants of equity interests in the Partnership which may, under certain circumstances, become exchangeable for the Company’s Common Shares reserved for issuance under the 2010 Plan, or in the event the 2010 Plan has been replaced by a successor equity plan prior to the date of issuance of such Common Shares, under such successor equity plan (the 2010 Plan and any such successor plan, as each may be amended, modified or supplemented from time to time, are collectively referred to herein as the “**Share Plan**”). This Agreement evidences one award (this “**Award**”) in a series of substantially identical 2013 OPP awards and is subject to the terms and conditions set forth herein and in the Partnership Agreement (as defined herein).

C. The Committee, effective as of the grant date specified in Schedule A hereto, awarded to the Grantee the 2013 OPP participation percentage in the various outperformance pools provided herein set forth in Schedule A.

NOW, THEREFORE, the Company, the Partnership and the Grantee agree as follows:

1. Administration. This Award and all other 2013 OPP awards shall be administered by the Committee, which in the administration of the 2013 OPP awards and this Award shall have all the powers and authority it has in the administration of the Share Plan as set forth in the Share Plan; provided that all powers of the Committee hereunder can be exercised by the full Board if the Board so elects. The Committee, in its sole and absolute discretion, may make at any time any provision for lapse of forfeiture restrictions and/or accelerated vesting under this

Agreement of some or all of the Grantee's unvested Award OPP Units that have not previously been forfeited.

2. **Definitions.** Capitalized terms used herein without definitions shall have the meanings given to those terms in the Share Plan.

"2013 OPP Units" means those Partnership Units issued pursuant to this and all other 2013 OPP.

"Additional Share Baseline Value" means, with respect to each Additional Share, the gross proceeds received by the Company or the Partnership upon the issuance of such Additional Share, which amount shall be deemed to equal, as applicable: (A) if such Additional Share is issued for cash in a public offering or private placement, the gross price to the public or to the purchaser(s); (B) if such Additional Share is issued in exchange for assets or securities of another Person or upon the acquisition of another Person, the cash value imputed to such Additional Share for purposes of such transaction by the parties thereto, as determined by the Committee, or, if no such value was imputed, the mean between the high and low sale prices of a Common Share on the national securities exchange or established securities market on which the Common Shares are listed on the date of issuance of such Additional Share, or, if no sale of Common Shares is reported on such date, on the next preceding day on which any sale shall have been reported; and (C) if such Additional Share is issued upon conversion or exchange of equity or debt securities of the Company, the Partnership or any other Subsidiary, which securities were not previously counted as either Initial Shares or Additional Shares, the conversion or exchange price in effect as of the date of conversion or exchange pursuant to the terms of the security being exchanged or converted.

"Additional Shares" means (without double-counting), as of a particular date of determination, the sum of: (A) the number of Common Shares; plus (B) the Shares Amount for all of the Units (assuming that such Units were converted, exercised, exchanged or redeemed for Partnership Units as of such date of determination at the applicable conversion, exercise, exchange or redemption rate (or rate deemed applicable by the Committee if there is no such stated rate) and such Partnership Units were then tendered to the Partnership for redemption pursuant to Section 8.6 of the Partnership Agreement as of such date), other than those held by the Company, but only, in the case of each (A) and (B), to the extent such Common Shares or Units are issued after the Effective Date, and on or before such date of determination: (i) in a capital raising transaction; (ii) in exchange for assets or securities or upon the acquisition of another Person; (iii) upon conversion or exchange of equity or debt securities of the Company, the Partnership or any other Subsidiary of the Company, which securities were not previously counted as either Initial Shares or Additional Shares; or (iv) through the reinvestment of dividends or other distributions. For the avoidance of doubt, "Additional Shares" shall exclude, without limitation: (w) Common Shares issued after the Effective Date upon exercise of stock options or upon the exchange (directly or indirectly) of LTIP Units, OPP Units or other Units issued to employees, non-employee trustees, consultants, advisors or other persons or entities as incentive or other compensation; (x) Common Shares awarded after the Effective Date to employees, non-employee trustees, consultants, advisors or other persons or entities as incentive or other compensation for services provided or to be provided to the Company or any of its Affiliates; (y) LTIP Units, OPP Units or other Units awarded after the Effective Date to

employees, non-employee trustees, consultants, advisors or other persons or entities as incentive or other compensation; and (z) any securities included in “Initial Shares.”

“**Affiliate**” means, with respect to the Company, any company or other trade or business that controls, is controlled by or is under common control with the Company within the meaning of Rule 405 of Regulation C under the Securities Act, including, without limitation, any Subsidiary.

“**Award OPP Units**” has the meaning set forth in Section 3.

“**Award Partnership Units**” has the meaning set forth in Section 7.

“**Baseline Value**” means \$83.28.

“**Buyback Shares**” means (without double-counting), as of a particular date of determination: (A) Common Shares; and (B) the Shares Amount for Units (assuming that such Units were converted, exercised, exchanged or redeemed for Partnership Units as of such date at the applicable conversion, exercise, exchange or redemption rate (or rate deemed applicable by the Committee if there is no such stated rate) and such Partnership Units were then tendered to the Partnership for redemption pursuant to Section 8.6 of the Partnership Agreement as of such date), other than those held by the Company, but only, in the case of each (A) and (B), to the extent repurchased or redeemed by the Company after the Effective Date and on or before such date of determination in a stock buyback transaction or in a redemption of Units for cash pursuant to Section 8.6 of the Partnership Agreement.

“**Cause**” for termination of the Grantee’s Continuous Service for purposes of Section 3 and Section 4 means: (A) if the Grantee is a party to a Service Agreement immediately prior to such termination, and “cause” is defined therein, then “cause” shall have the meaning set forth in such Service Agreement; or (B) if the Grantee is not party to a Service Agreement immediately prior to such termination or the Grantee’s Service Agreement does not define “cause” or a substantially equivalent term, then “cause” shall mean: (i) conviction of, or plea of guilty or *nolo contendere* to, a felony pertaining or otherwise relating to his or her employment with the Company or an Affiliate; or (ii) willful misconduct that is materially economically injurious to the Company or any of its Affiliates, in each case as determined in the Company’s sole discretion.

“**Change in Control**” means:

(i) individuals who, on the Effective Date, constitute the Board (the “**Incumbent Trustees**”) cease for any reason to constitute at least a majority of the Board, provided that any person becoming a trustee subsequent to the Effective Date whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Trustees then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for trustee, without objection to such nomination) shall be an Incumbent Trustee; provided, however, that no individual initially elected or nominated as a trustee of the Company as a result of an actual or threatened election contest with respect to trustees or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be an Incumbent Trustee; or

(ii) any “person” (as such term is defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes, after the Effective Date, a “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company’s then outstanding securities eligible to vote for the election of the Board (the “**Company Voting Securities**”); provided, however, that an event described in this paragraph (ii) shall not be deemed to be a Change in Control if any of following becomes such a beneficial owner: (A) the Company or any majority-owned subsidiary of the Company (provided that this exclusion applies solely to the ownership levels of the Company or the majority-owned subsidiary), (B) any tax-qualified, broad-based employee benefit plan sponsored or maintained by the Company or any such majority-owned subsidiary, (C) any underwriter temporarily holding securities pursuant to an offering of such securities, (D) any person pursuant to a Non-Qualifying Transaction (as defined in paragraph (iii)), or (E) (I) any of the partners (as of the Effective Date) in Interstate Properties (“**Interstate**”) including immediate family members and family trusts or family-only partnerships and any charitable foundations of such partners (the “**Interstate Partners**”), (II) any entities the majority of the voting interests of which are beneficially owned by the Interstate Partners, or (III) any “group” (as described in Rule 13d-5(b)(i) under the Exchange Act) including the Interstate Partners (the persons in (I), (II) and (III) shall be individually and collectively referred to herein as, “**Interstate Holders**”); or

(iii) the consummation of a merger, consolidation, share exchange or similar form of transaction involving the Company or any of its subsidiaries, or the sale of all or substantially all of the Company’s assets (a “**Business Transaction**”), unless immediately following such Business Transaction (A) more than 50% of the total voting power of the entity resulting from such Business Transaction or the entity acquiring the Company’s assets in such Business Transaction (the “**Surviving Corporation**”) is beneficially owned, directly or indirectly, by the Interstate Holders or the Company’s shareholders immediately prior to any such Business Transaction, and (B) no person (other than the persons set forth in clauses (A), (B), (C), or (E) of paragraph (ii) above or any tax-qualified, broad-based employee benefit plan of the Surviving Corporation or its affiliates) beneficially owns, directly or indirectly, 30% or more of the total voting power of the Surviving Corporation (a “**Non-Qualifying Transaction**”); or

(iv) Board approval of a liquidation or dissolution of the Company, unless the common equity interests of an ongoing entity (other than a liquidating trust) are beneficially owned, directly or indirectly, by the Company’s shareholders in substantially the same proportions as such shareholders owned the Company’s Company Voting Securities immediately prior to such liquidation and such ongoing entity assumes all existing obligations of the Company to the Grantee under this Agreement.

“**Class A Units**” has the meaning set forth in the Partnership Agreement.

“**CoC Fraction**” means: (A) for application pursuant to the proviso clauses in the definitions of “Interim Absolute Baseline” and “Interim Hurdle Rate,” the number of calendar days that have elapsed since the Effective Date to and including the date as of which a Change in Control is consummated (or, with respect to a Transactional Change in Control, the date of the

Public Announcement of such Transactional Change in Control), divided by 730; and (B) for application pursuant to the proviso clauses in the definitions of “Final Absolute Baseline” and “Final Hurdle Rate,” the number of calendar days that have elapsed since the Effective Date to and including the date as of which a Change in Control is consummated (or, with respect to a Transactional Change in Control, the date of the Public Announcement of such Transactional Change in Control), divided by 1,096.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Common Shares**” means the Company’s common shares of beneficial interest, par value \$0.04 per share.

“**Common Share Price**” means, as of a particular date, the average of the Fair Market Value of one Common Share over the thirty (30) consecutive trading days ending on, and including, such date (or, if such date is not a trading day, the most recent trading day immediately preceding such date); provided, however, that if such date is the date of the Public Announcement of a Transactional Change in Control, the Common Share Price as of such date shall be equal to the fair market value, as determined by the Committee, of the total consideration payable in the transaction that ultimately results in the Transactional Change in Control for one Common Share.

“**Continuous Service**” means the continuous service, without interruption or termination, as an employee, director, trustee, manager or member of, or with the approval of the Committee, consultant or advisor to the Company or an Affiliate. Continuous Service shall not be considered interrupted in the case of: (A) any approved leave of absence; (B) transfers among the Company and any Affiliate, or any successor, in any capacity of trustee, director, employee, manager, member, or with the approval of the Committee, consultant or advisor; or (C) any change in status as long as the individual remains in the service of the Company or any Affiliate of the Company in any capacity of employee, director, trustee, manager, member or similar function of, or (if the Committee specifically agrees that the Continuous Service is not uninterrupted) a consultant or advisor. An approved leave of absence shall include sick leave, military leave, or any other authorized personal leave. Subject to the preceding sentence, whether a termination of Continuous Service shall have occurred for purposes of this Agreement shall be determined by the Committee, which determination shall be final, binding and conclusive.

“**Disability**” means: (A) if the Grantee is a party to a Service Agreement immediately prior to the applicable event, and “disability” is defined therein, then “disability” shall have the meaning set forth in such definition; or (B) if the Grantee is not party to a Service Agreement immediately prior to such event or the Grantee’s Service Agreement does not define “disability” or a substantially equivalent term, then “disability” shall mean a disability which renders the Grantee incapable of performing all of his or her material duties for a period of at least 180 consecutive or non-consecutive days during any consecutive twelve-month period.

“**Dividend Payment**” means, as of a particular date, for each distribution declared and paid on one Class A Unit between the Effective Date and such date (excluding dividends and distributions paid in the form of additional Common Shares and Class A Units unless adjustment is otherwise made pursuant to Section 8 hereof) the amount of such distribution.

“Effective Date” means March 15, 2013.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Ex-Dividend Common Share Price” means, as of an “ex-dividend” date with respect to a Common Share, (A) the average of the high and low price of the Common Shares as reported by New York Stock Exchange, The NASDAQ Stock Market, Inc. or another national securities exchange or an established securities market, on which the Common Shares are listed, as applicable (if there is more than one such exchange or market, the Committee shall determine the appropriate exchange or market), on such “ex-dividend” date (or if there is no such reported high and low price, the Ex-Dividend Common Share Price shall be the average of the highest bid and lowest asked prices on such “ex-dividend” date) or, if no sale of Common Shares is reported for such trading day, on the next preceding day on which any sale shall have been reported; or (B) if the Common Shares are not listed on such an exchange, quoted on such system or traded on such a market, Ex-Dividend Common Share Price of the Common Share shall be the value of the Common Shares as determined by the Committee in good faith in a manner consistent with Code Section 409A.

“Fair Market Value” means, as of any given date, the fair market value of a security determined by the Committee using any reasonable method and in good faith (such determination will be made in a manner that satisfies Section 409A of the Code and in good-faith as required by Section 422(c)(1) of the Code); provided that with respect to a Common Share “Fair Market Value” means the value of such Common Share determined as follows: (A) if on the determination date the Common Shares are listed on the New York Stock Exchange, The NASDAQ Stock Market, Inc. or another national securities exchange or is publicly traded on an established securities market, the Fair Market Value of a Common Share shall be the closing price of the Common Shares on such exchange or in such market (if there is more than one such exchange or market, the Committee shall determine the appropriate exchange or market) on the determination date (or if there is no such reported closing price, the Fair Market Value shall be the mean between the highest bid and lowest asked prices or between the high and low sale prices on such trading day) or, if no sale of Common Shares is reported for such trading day, on the next preceding day on which any sale shall have been reported; or (B) if the Common Shares are not listed on such an exchange, quoted on such system or traded on such a market, Fair Market Value of the Common Share shall be the value of the Common Shares as determined by the Committee in good faith in a manner consistent with Code Section 409A.

“Family Member” means a person who is a spouse, former spouse, child, stepchild, grandchild, parent, stepparent, grandparent, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother, sister, brother-in-law, or sister-in-law, including adoptive relationships, of the Grantee, any person sharing the Grantee’s household (other than a tenant or employee), a trust in which any one or more of these persons have more than fifty percent (50%) of the beneficial interest, a foundation in which any one or more of these persons (or the Grantee) control the management of assets, and any other entity in which one or more of these persons (or the Grantee) own more than fifty percent (50%) of the voting interests.

“Final Absolute Baseline” means, as of the Final Valuation Date, an amount representing (without double-counting) the sum of:

(A) the Baseline Value multiplied by:

- (i) the difference between (x) the Initial Shares and (y) all Buyback Shares repurchased or redeemed between the Effective Date and the Final Valuation Date; and then multiplied by
- (ii) the sum of (x) one hundred percent (100%) plus (y) the Target Final Absolute Return Percentage; plus

(B) with respect to each Additional Share issued after the Effective Date, the Additional Share Baseline Value of such Additional Share, multiplied by the sum of:

- (i) one hundred percent (100%); plus
- (ii) the product of the Target Final Absolute Return Percentage multiplied by a fraction (x) the numerator of which is the number of days from the issuance of such Additional Share to and including the Final Valuation Date and (y) the denominator of which is the number of days from and including the Effective Date to and including the Final Valuation Date; plus

(C) with respect to each Buyback Share repurchased or redeemed after the Effective Date, the Baseline Value, multiplied by the sum of:

- (i) one hundred percent (100%); plus
- (ii) the product of the Target Final Absolute Return Percentage multiplied by a fraction (x) the numerator of which is the number of days from the Effective Date to and including the date such Buyback Share was repurchased or redeemed and (y) the denominator of which is the number of days from and including the Effective Date to and including the Final Valuation Date;

provided that if the Final Valuation Date occurs prior to March 15, 2016 as a result of a Change in Control, then for purposes of this definition in connection with the calculation of the Final Absolute TRS Pool as of the Final Valuation Date, then the Target Final Absolute Return Percentage to be used in such calculation shall be reduced to twenty-one percent (21%), multiplied by the CoC Fraction calculated pursuant to clause (B) of the definition thereof. If the Company consummates multiple issuances of Additional Shares and/or repurchases of Buyback Shares during any one monthly or quarterly period, such that it would be impractical to track the precise issuance date and issuance price of each individual Additional Share and/or repurchase or redemption date of each individual Buyback Share, the Compensation Committee may in its discretion approve timing and calculation conventions (such as net-at-end-of-period or average-during-the-period) reasonably designed to simplify the administration of this Award.

“Final Absolute TRS Pool” means, as of the Final Valuation Date, a dollar amount calculated as follows (or, if the resulting amount is a negative number, zero (0)): (A) subtract the Final Absolute Baseline from the Final Total Return, in each case as of the Final Valuation Date; and (B) multiply the resulting amount by two percent (2%); provided that in no event shall the

Final Absolute TRS Pool exceed the difference between (i) the Maximum Final Outperformance Pool Amount and (ii) the Interim Total Outperformance Pool.

“**Final Adjustment Factor**” means a factor carried out to the sixth decimal determined by a straight-line interpolation between: (A) zero (0) if the Final Hurdle Rate is zero percent (0%) or a negative factor; and (B) one (1) if the Final Hurdle Rate is eighteen percent (18%) or more.

“**Final Hurdle Rate**” means a percentage consisting of the Company’s TRS Percentage over the period starting on the Effective Date and ending on the Final Valuation Date; provided that if the Final Valuation Date occurs prior to March 15, 2016 as a result of a Change in Control, then for purposes of determining the Final Adjustment Factor to be used in calculating the Final Relative TRS Pool as of the Final Valuation Date, the Final Hurdle Rate shall instead be: (A) the Company’s TRS Percentage over the period starting on the Effective Date and ending on the date of the Change in Control (or, with respect to a Transactional Change in Control, the date of the Public Announcement of such Transactional Change in Control); divided by (B) the CoC Fraction calculated pursuant to clause (B) of the definition thereof.

“**Final OPP Unit Equivalent**” has the meaning set forth in Section 3.

“**Final Relative Adjusted Return**” a dollar amount, calculated as of the Final Valuation Date, using the same definition as for the “Final Relative Baseline,” except that in clauses (A)(ii), (B)(ii) and (C)(ii) thereof instead of the Index Return Percentage for the applicable period, the Threshold Return Percentage shall be used.

“**Final Relative Baseline**” means, as of the Final Valuation Date, an amount representing (without double-counting) the sum of:

(A) the Baseline Value multiplied by:

(i) the difference between (x) the Initial Shares and (y) all Buyback Shares repurchased or redeemed between the Effective Date and the Final Valuation Date, and then multiplied by

(ii) the sum of one hundred percent (100%) plus the Index Return Percentage for the period beginning on the Effective Date and ending on the Final Valuation Date; plus

(B) with respect to each Additional Share issued after the Effective Date, the Additional Share Baseline Value of such Additional Share multiplied by the sum of (i) one hundred percent (100%) plus (ii) the Index Return Percentage for the period beginning on the date of issuance of such Additional Share and ending on the Final Valuation Date; plus

(C) with respect to each Buyback Share repurchased or redeemed after the Effective Date, the Baseline Value multiplied by the sum of (i) one hundred percent (100%) plus (ii) the Index Return Percentage for the period beginning on the Effective Date and ending on the date such Buyback Share was repurchased or redeemed.

If the Company consummates multiple issuances of Additional Shares and/or repurchases of Buyback Shares during any one monthly or quarterly period, such that it would be impractical to track the precise issuance date and issuance price of each individual Additional Share and/or repurchase or redemption date of each individual Buyback Share, the Compensation Committee may in its discretion approve timing and calculation conventions (such as net-at-end-of-period or average-during-the-period) reasonably designed to simplify the administration of this Award.

“Final Relative Offset Amount” means, if the Final Total Return as of the Final Valuation Date is less than the Final Relative Adjusted Return, an amount equal to two percent (2%) of the difference between the Final Total Return and the Final Relative Adjusted Return as of the Final Valuation Date. For the avoidance of doubt, the Final Relative Offset Amount will always be a negative amount.

“Final Relative TRS Pool” means, as of the Final Valuation Date, a dollar amount (or, if the resulting amount is a negative number, zero (0)) calculated as follows: (A) subtract the Final Relative Baseline from the Final Total Return, in each case as of the Final Valuation Date; (B) multiply the resulting amount by two percent (2%); and (C) multiply the lesser of (i) the resulting amount or (ii) \$40,000,000 by the Final Adjustment Factor; provided that in no event shall the Final Relative TRS Pool exceed the difference between (x) the Maximum Final Outperformance Pool Amount and (y) the Interim Total Outperformance Pool.

“Final Total Outperformance Pool” means, as of the Final Valuation Date, a dollar amount calculated as follows: (A) take the algebraic sum of (i) the Final Absolute TRS Pool (either zero or a positive amount), (ii) the Final Relative TRS Pool (either zero or a positive amount), and (iii) the Final Relative Offset Amount (either zero or a negative amount); and (B) subtract from the resulting amount the Interim Total Outperformance Pool, if any; provided that if the resulting amount is a negative number, then the Final Total Outperformance Pool shall be zero; and provided, further, that in no event shall the Final Total Outperformance Pool exceed the difference between (x) the Maximum Final Outperformance Pool Amount and (y) the Interim Total Outperformance Pool. It being understood that Final Total Outperformance Pool excludes the amounts which are calculated pursuant to Section 3(d) which are not subject to a cap.

“Final Total Return” means (without double-counting), as of the Final Valuation Date, an amount equal to the sum of: (A) the Final Total Shares multiplied by the highest Common Share Price among those calculated as of every day within the period of one hundred and twenty (120) consecutive days immediately preceding the Final Valuation Date; plus (B) an amount equal to the sum of the total dividends and other distributions actually declared between the Effective Date and the Final Valuation Date (excluding dividends and distributions paid in the form of additional Common Shares or Units) so long as the “ex-dividend” date with respect thereto falls prior to the Final Valuation Date, in respect of Common Shares and Class A Units (it being understood, for the avoidance of doubt, that such total dividends and distributions shall be calculated by multiplying the amount of each per share dividend or distribution declared by the actual number of securities outstanding as of each record date with respect to the applicable dividend or distribution payment date, and not by multiplying the aggregate amount of distributions paid on one Partnership Unit that was outstanding as of the Effective Date between the Effective Date and the Final Valuation Date by the number of Final Total Shares).

“**Final Total Shares**” means (without double-counting), as of the Final Valuation Date, the algebraic sum of: (A) the Initial Shares, minus (B) all Buyback Shares repurchased or redeemed between the Effective Date and the Final Valuation Date, plus (C) all Additional Shares issued between the Effective Date and the Final Valuation Date.

“**Final Valuation Date**” means the earliest of: (A) March 15, 2016; or (B) in the event of a Change in Control that is not a Transactional Change in Control, the date on which such Change in Control shall occur; or (C) in the event of a Transactional Change in Control and subject to the consummation of such Transactional Change in Control, the date of the Public Announcement of such Transactional Change in Control.

“**Good Reason**” for termination of the Grantee’s employment for purposes of Section 3 and Section 4 means: (A) if the Grantee is a party to a Service Agreement immediately prior to such termination, and “good reason” is defined therein, then “good reason” shall have the meaning set forth in such Service Agreement, or (B) if the Grantee is not party to a Service Agreement immediately prior to such termination or the Grantee’s Service Agreement does not define “good reason” or a substantially equivalent term, then “good reason” shall mean: (i) the assignment to the Grantee of duties materially and adversely inconsistent with the Grantee’s status as of the Effective Date or a material and adverse alteration in the nature of the Grantee’s duties, responsibilities or authority; (ii) a reduction in the Grantee’s base salary; or (iii) a relocation of the Grantee’s own office location to a location more than thirty (30) miles from its location as of the Effective Date.

“**Index Return Percentage**” means, for any period, the total percentage return for the SNL Equity REIT Index from the start of such period to the end of such period, as calculated by a consultant engaged by the Committee and as approved by the Committee in its reasonable discretion for purposes of calculating the Interim Relative Baseline or Final Relative Baseline, as applicable.

“**Initial Shares**” means 196,536,264 Common Shares, which includes: (A) 186,830,032 Common Shares outstanding as of the Effective Date (other than currently unvested restricted Common Shares previously granted to employees or other persons or entities in exchange for services provided to the Company); plus (B) 10,506,029 Common Shares representing the Shares Amount for all of the Partnership Units (other than LTIP Units or OPP Units and excluding Partnership Units held by the Company) outstanding as of the Effective Date assuming that all of such Partnership Units were tendered to the Partnership for redemption pursuant to Section 8.6 of the Partnership Agreement as of such date; plus (C) 200,203 Common Shares representing the Shares Amount for all of the Partnership Units into which all LTIP Units, and Prior OPP Units outstanding as of the Effective Date could be converted without regard to the book capital account associated with them (but only to the extent such LTIP Units, or Prior OPP Units are currently vested, and excluding all 2013 OPP Units), assuming that all of such Partnership Units were tendered to the Partnership for redemption pursuant to Section 8.6 of the Partnership Agreement as of such date. For the avoidance of doubt, Initial Shares (i) includes (x) currently vested Common Shares and (y) currently vested LTIP Units, and prior OPP Units previously granted to employees or other persons or entities in exchange for services provided to the Company, and (ii) excludes (x) all Common Shares issuable upon exercise of stock options or upon the exchange (directly or indirectly) of unvested LTIP Units, Prior OPP Units and 2013

OPP Units or other unvested Units issued to employees, non-employee trustees, consultants, advisors or other persons or entities as incentive compensation, and (y) currently unvested restricted Common Shares previously granted to employees, non-employee trustees, consultants, advisors or other persons or entities in exchange for services provided to the Company.

“**Interim Absolute Baseline**” means, as of the Interim Valuation Date, an amount representing (without double-counting) the sum of:

(A) the Baseline Value multiplied by:

(i) the difference between (x) the Initial Shares and (y) all Buyback Shares repurchased or redeemed between the Effective Date and the Interim Valuation Date; and then multiplied by

(ii) the sum of (x) one hundred percent (100%) plus (y) the Target Interim Absolute Return Percentage; plus

(B) with respect to each Additional Share issued between the Effective Date and the Interim Valuation Date, the Additional Share Baseline Value of such Additional Share, multiplied by: the sum of:

(i) one hundred percent (100%); plus

(ii) the product of the Target Interim Absolute Return Percentage multiplied by: a fraction (x) the numerator of which is the number of days from the issuance of such Additional Share to and including the Interim Valuation Date and (y) the denominator of which is the number of days from and including the Effective Date to and including the Interim Valuation Date; plus

(C) with respect to each Buyback Share repurchased or redeemed between the Effective Date and the Interim Valuation Date, the Baseline Value, multiplied by: the sum of:

(i) one hundred percent (100%); plus

(ii) the product of the Target Interim Absolute Return Percentage multiplied by a fraction (x) the numerator of which is the number of days from the Effective Date to and including the date such Buyback Share was repurchased or redeemed and (y) the denominator of which is the number of days from and including the Effective Date to and including the Interim Valuation Date;

provided that if the Interim Valuation Date occurs prior to March 15, 2015 as a result of a Change in Control, then for purposes of this definition in connection with the calculation of the Interim Absolute TRS Pool as of the Interim Valuation Date, then the Target Interim Absolute Return Percentage to be used in such calculation shall be reduced to fourteen percent (14%) multiplied by the CoC Fraction calculated pursuant to clause (A) of the definition thereof. If the Company consummates multiple issuances of Additional Shares and/or repurchases of Buyback Shares during any one monthly or quarterly period, such that it would be impractical to track the precise issuance date and issuance price of each individual Additional Share and/or repurchase or

redemption date of each individual Buyback Share, the Compensation Committee may in its discretion approve timing and calculation conventions (such as net-at-end-of-period or average-during-the-period) reasonably designed to simplify the administration of this Award.

“Interim Absolute TRS Pool” means, as of the Interim Valuation Date, a dollar amount calculated as follows (or, if the resulting amount is a negative number, zero): (A) subtract the Interim Absolute Baseline from the Interim Total Return, in each case as of the Interim Valuation Date; and (B) multiply the resulting amount by two percent (2%); provided that in no event shall the Interim Absolute TRS Pool exceed the Maximum Interim Outperformance Pool Amount.

“Interim Adjusted Return” a dollar amount, calculated as of the Interim Valuation Date, using the same definition as for the “Interim Relative Baseline,” except that in clauses (A)(ii), (B)(ii) and (C)(ii) thereof instead of the Index Return Percentage for the applicable period, the Threshold Return Percentage shall be used.

“Interim Adjustment Factor” means a factor carried out to the sixth decimal determined by a straight-line interpolation between: (A) zero (0) if the Interim Hurdle Rate is zero percent (0%) or a negative factor; and (B) one (1) if the Interim Hurdle Rate is twelve percent (12%) or more.

“Interim Hurdle Rate” means a percentage consisting of the Company’s TRS Percentage over the period starting on the Effective Date and ending on the Interim Valuation Date; provided that if the Interim Valuation Date occurs prior to March 15, 2015 as a result of a Change in Control, then for purposes of determining the Interim Adjustment Factor to be used in calculating the Interim Relative TRS Pool as of the Interim Valuation Date, the Interim Hurdle Rate shall instead be: (A) the Company’s TRS Percentage over the period starting on the Effective Date and ending on the date of the Change in Control (or, with respect to a Transactional Change in Control, the date of the Public Announcement of such Transactional Change in Control); divided by (B) the CoC Fraction calculated pursuant to clause (A) of the definition thereof.

“Interim OPP Unit Equivalent” has the meaning set forth in Section 3.

“Interim Relative Baseline” means, as of the Interim Valuation Date, an amount representing (without double-counting) the sum of:

(A) the Baseline Value multiplied by:

(i) the difference between (x) the Initial Shares and (y) all Buyback Shares repurchased or redeemed between the Effective Date and the Interim Valuation Date, and then multiplied by

(ii) the sum of one hundred percent (100%) plus the Index Return Percentage for the period beginning on the Effective Date and ending on the Interim Valuation Date; plus

(B) with respect to each Additional Share issued after the Effective Date, the Additional Share Baseline Value of such Additional Share, multiplied by: the sum of:

(i) one hundred percent (100%); plus

(ii) the Index Return Percentage for the period beginning on the date of issuance of such Additional Share and ending on the Interim Valuation Date; plus

(C) with respect to each Buyback Share repurchased or redeemed after the Effective Date, the Baseline Value multiplied by the sum of:

(i) one hundred percent (100%); plus

(ii) the Index Return Percentage for the period beginning on the Effective Date and ending on the date such Buyback Share was repurchased or redeemed.

If the Company consummates multiple issuances of Additional Shares and/or repurchases of Buyback Shares during any one monthly or quarterly period, such that it would be impractical to track the precise issuance date and issuance price of each individual Additional Share and/or repurchase or redemption date of each individual Buyback Share, the Compensation Committee may in its discretion approve timing and calculation conventions (such as net-at-end-of-period or average-during-the-period) reasonably designed to simplify the administration of this Award.

“Interim Relative Offset Amount” means, if the Interim Total Return as of the Interim Valuation Date is less than the Interim Adjusted Return, an amount equal to two percent (2%) of the difference between the Interim Total Return and the Interim Adjusted Return as of the Interim Valuation Date. For the avoidance of doubt, the Interim Offset Amount will always be a negative amount.

“Interim Relative TRS Pool” means, as of the Interim Valuation Date, a dollar amount (or, if the resulting amount is a negative number, zero (0)) calculated as follows: (A) subtract the Interim Relative Baseline from the Interim Total Return, in each case as of the Interim Valuation Date; (B) multiply the resulting difference by two percent (2%); and (C) multiply the lesser of (i) the product of (B) or (ii) the Maximum Interim Outperformance Pool Amount by the Interim Adjustment Factor.

“Interim Total Outperformance Pool” means, as of the Interim Valuation Date, a dollar amount equal to take the algebraic sum of (i) the Interim Absolute TRS Pool (if a positive amount), (ii) the Interim Relative TRS Pool (if a positive amount), and (iii) the Interim Relative Offset Amount (if a negative amount; provided that if the resulting sum is a negative number, then the Interim Total Outperformance Pool shall be zero; and provided, further, that in no event shall the Interim Total Outperformance Pool exceed the Maximum Interim Outperformance Pool Amount. It being understood that the Interim Total Outperformance Pool excludes the amounts which are calculated pursuant to Section 3(d) which are not subject to a cap.

“Interim Total Return” means (without double-counting), as of the Interim Valuation Date, an amount equal to the sum of: (A) the Interim Total Shares multiplied by the highest Common Share Price among those calculated as of every day within the period of one hundred

and twenty (120) consecutive days immediately preceding the Interim Valuation Date; plus (B) an amount equal to the sum of the total dividends and other distributions actually declared between the Effective Date and the Interim Valuation Date (excluding dividends and distributions paid in the form of additional Common Shares or Units) so long as the “ex-dividend” date with respect thereto falls prior to the Interim Valuation Date, with respect to Common Shares and Class A Units (it being understood, for the avoidance of doubt, that such total dividends and distributions shall be calculated by multiplying the amount of each per share dividend or per Class A Unit distribution declared by the actual number of securities outstanding as of each record date with respect to the applicable dividend or distribution payment date, and not by multiplying the aggregate amount of distributions paid on one Partnership Unit that was outstanding as of the Effective Date between the Effective Date and the Interim Valuation Date by the number of Interim Total Shares).

“**Interim Total Shares**” means (without double-counting), as of the Interim Valuation Date, the algebraic sum of: (A) the Initial Shares, minus (B) all Buyback Shares repurchased or redeemed between the Effective Date and the Interim Valuation Date, plus (C) all Additional Shares issued between the Effective Date and the Interim Valuation Date.

“**Interim Valuation Date**” means the earliest of: (A) March 15, 2015; or (B) in the event of a Change in Control that is not a Transactional Change in Control, the date on which such Change in Control shall occur; or (C) in the event of a Transactional Change in Control and subject to the consummation of such Transactional Change in Control, the date of the Public Announcement of such Transactional Change in Control; provided that the Interim Valuation Date cannot be after the Final Valuation Date.

“**LTIP Units**” means LTIP Units, as such term is defined in the Partnership Agreement.

“**Maximum Final Outperformance Pool Amount**” means \$40,000,000 minus the Interim Total Outperformance Pool, if any.

“**Maximum Interim Outperformance Pool Amount**” means \$16,000,000.

“**OPP Units**” means collectively all Prior OPP Units and all 2013 OPP Units.

“**Partial Service Factor**” means a factor carried out to the sixth decimal to be used in calculating the Grantee’s adjusted Interim OPP Unit Equivalent and Total OPP Unit Equivalent pursuant to Section 4(b)(ii) hereof in the event of a Qualified Termination of the Grantee’s Continuous Service prior to the Final Valuation Date or pursuant to Section 4(e) in the event of a termination of the Grantee’s Continuous Service by reason of death or Disability prior to the Final Valuation Date, determined as follows:

(A) for application pursuant to Section 4(b)(ii)(I) or Section 4(e)(ii)(I) hereof, the number of calendar days that have elapsed since the Effective Date to and including the effective date of such Qualified Termination or the date of death or Disability, divided by 730 (it being understood that if such Qualified Termination or death or Disability occurs after the Interim Valuation Date, then the Partial Service Factor to be used for purposes of Section 4(b)(ii)(I) or Section 4(e)(ii)(I) shall be one (1)); provided, however, that if, after the effective date of such Qualified Termination or the date of death or Disability and before March 15, 2015,

a Change in Control occurs, then there shall be subtracted from the foregoing denominator (*i.e.* 730) a number of days equal to the days that would elapse between the date as of which the Change in Control is consummated (or, with respect to a Transactional Change in Control, the date of the Public Announcement of the Transactional Change in Control) and March 15, 2015; and

(B) for application pursuant to Section 4(b)(ii)(II) or Section 4(e)(ii)(II) hereof, the number of calendar days that have elapsed since the Effective Date to and including the effective date of such Qualified Termination or the date of death or Disability, divided by 1,096; provided, however, that if, after the effective date of such Qualified Termination or the date of death or Disability and before March 15, 2016, a Change in Control occurs, then there shall be subtracted from the foregoing denominator (*i.e.* 1,096) a number of days equal to the days that would elapse between the date as of which the Change in Control is consummated (or, with respect to a Transactional Change in Control, the date of the Public Announcement of the Transactional Change in Control) and March 15, 2016.

“Participation Percentage” means the percentage set forth opposite such term on Schedule A hereto.

“Partnership Agreement” means the Second Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of October 20, 1997, among the Company, as general partner, and the limited partners who are parties thereto, as amended from time to time.

“Prior OPPs” means the Company’s 2006 Outperformance Plan under the Company’s 2002 Omnibus Share Plan, as amended (“2002 Plan”), as approved by the Board in March 2006, the Company’s 2008 Outperformance Plan under the 2002 Plan as approved by the Board in March 2008, and the Company’s 2012 Outperformance Plan under the 2010 Plan as approved by the Board in March 2012.

“Prior OPP Units” means those Partnership Units issued pursuant to the Prior OPPs.

“Partnership Units” has the meaning set forth in the Partnership Agreement.

“Person” means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, other entity or “group” (as defined in the Exchange Act).

“Public Announcement” means, with respect to a Transactional Change in Control, the earliest press release, filing with the SEC or other publicly available or widely disseminated communication issued by the Company or another Person who is a party to such transaction which discloses the consideration payable in and other material terms of the transaction that ultimately results in the Transactional Change in Control; provided, however, that if such consideration is subsequently increased or decreased, then the term “Public Announcement” shall be deemed to refer to the most recent such press release, filing or communication disclosing a change in consideration whereby the final consideration and material terms of the transaction that ultimately results in the Transactional Change in Control are announced. For the avoidance of doubt, the foregoing definition is intended to provide the Committee in the application of the *proviso* clause in the definition of “Common Share Price” with the information required to

determine the fair market value of the consideration payable in the transaction that ultimately results in the Transactional Change in Control as of the earliest time when such information is publicly disseminated, particularly if the transaction consists of an unsolicited tender offer or a contested business combination where the terms of the transaction change over time.

“**Qualified Termination**” has the meaning set forth in Section 4.

“**Retirement**” means: (A) if the Grantee is a party to a Service Agreement immediately prior to such event, and “Retirement” is defined therein, then “Retirement” shall have the meaning set forth in such Service Agreement, or (B) if the Grantee is not party to a Service Agreement immediately prior to such event and/or the Grantee’s Service Agreement does not define “Retirement” or a substantially equivalent term, then “Retirement” shall mean the Grantee’s termination of his or her Continuous Service with the Company and its Subsidiaries after attainment of age 65.

“**SEC**” means the U.S. Securities and Exchange Commission.

“**Securities Act**” means the Securities Act of 1933, as amended.

“**Service Agreement**” means, as of a particular date, any employment, consulting or similar service agreement (including without limitation a separation, severance or similar agreement if any) then in effect between the Grantee, on the one hand, and the Company or one of its Affiliates, on the other hand, as amended or supplemented through such date.

“**Shares Amount**” has the meaning set forth in the Partnership Agreement.

“**SNL Equity REIT Index**” means the SNL Equity REIT Index as published from time to time (or a successor index including a comparable universe of publicly traded U.S. real estate investment trusts), provided that if (A) the SNL Equity REIT Index ceases to exist or be published prior to the Interim Valuation Date, or Final Valuation Date, as applicable, and the Committee determines that there is no successor to such index or (B) the Committee reasonably determines that the SNL Equity REIT Index is no longer suitable for the purposes of this Agreement, then the Committee in its good faith reasonable discretion shall select for subsequent periods, or if the Committee in its reasonable good faith discretion so determines, for any portion of or the entire period from the Effective Date to the Final Valuation Date, a substitute comparable index for purposes of calculating the Interim Relative Baseline or Final Relative Baseline, as applicable.

“**Subsidiary**” means any “subsidiary corporation” of the Company within the meaning of Section 424(f) of the Code.

“**Target Final Absolute Return Percentage**” means twenty-one percent (21%), except as otherwise defined for purposes of the definition of Final Absolute Baseline in certain circumstances, as described in the proviso clause of such definition.

“**Target Interim Absolute Return Percentage**” means fourteen percent (14%), except as otherwise defined for purposes of the definition of Interim Absolute Baseline in certain circumstances, as described in the proviso clause in such definition.

“**Threshold Return Percentage**” means, for any period, the applicable Index Return Percentage reduced by an annualized 200 basis points from the start of such period to the end of such period, as calculated by a consultant engaged by the Committee and as approved by the Committee in its reasonable discretion for purposes of calculating the Interim Relative Offset Amount and Final Relative Offset Amount, as applicable. For the avoidance of doubt, if the calculation period were three years, the reduction in the Index Return Percentage to arrive at the Threshold Return Percentage would be 600 basis points, whereas if the calculation period were 219 days, the reduction would be 120 basis points.

“**Total OPP Unit Equivalent**” means the sum of: (A) the Interim OPP Unit Equivalent, if any; plus (B) the Final OPP Unit Equivalent, if any.

“**Transactional Change in Control**” means (A) a Change in Control described in clause (ii) of the definition thereof where the “person” or “group” makes a tender offer for Common Shares, or (B) a Change in Control described in clause (iii) of the definition thereof where the Company is not the Surviving Corporation; provided that if the applicable definition of “Change in Control” (or similar term) in the applicable Service Agreement does not track such clauses (ii) or (iii), then the term “Transactional Change in Control” shall mean a Change in Control meeting the substantive criteria set forth in such clauses, as reasonably determined in good faith by the Committee.

“**Transfer**” has the meaning set forth in Section 7.

“**TRS Percentage**” means, with respect to the Company, for any period, the total percentage return per share achieved by one Common Share from the start of such period to the end of such period, as calculated by a consultant engaged by the Committee and as approved by the Committee in its reasonable discretion using the data for the Company included in the SNL Equity REIT Index for such period.

“**Units**” means all Partnership Units (as defined in the Partnership Agreement), including LTIP Units, with economic attributes substantially similar to Partnership Units as determined by the Committee that are outstanding or are issuable upon the conversion, exercise, exchange or redemption of any securities of any kind convertible, exercisable, exchangeable or redeemable for Partnership Units; provided that all Units that are not convertible into or exchangeable for Class A Units shall be excluded from the definition of “Units.”

3. Outperformance Award; Vesting; Change in Control.

(a) The Grantee is hereby granted this Award consisting of the number of 2013 OPP Units set forth on Schedule A hereto (the “Award OPP Units”), which (A) will be subject to forfeiture to the extent provided in this Section 3 and (B) will be subject to vesting as provided in Sections 3(e) hereof. At any time prior to the Final Valuation Date, the Committee may grant additional 2013 OPP awards to the extent that the sum of all the 2013 OPP grantees’ Participation Percentages is less than one hundred percent (100%) as a result of either reservation of a portion of the 2013 OPP Participation Percentage for future awards or forfeiture of granted 2013 OPP awards. At any time prior to or in connection with the calculation of the Final OPP Unit Equivalent, the Partnership may issue additional LTIP Units to the Grantee as provided in

this Section 3 that shall also be considered Award OPP Units and subject to all of the terms and conditions of this Agreement; provided that such issuance will be subject to the Grantee executing and delivering such documents, comparable to the documents executed and delivered in connection with this Agreement, as the Company and/or the Partnership may reasonably request in order to comply with all applicable legal requirements, including, without limitation, federal and state securities laws. The Award OPP Units shall be eligible for vesting over a five-year period, except as otherwise provided in Section 4 hereof, based on a combination of (i) the Company's performance over a three-year period (or a shorter period in certain circumstances as provided herein) as indicated by the calculations required by this Section 3 and (ii) the passage of time (five years or a shorter period in certain circumstances as provided herein) as provided in Section 3(e). Vesting will occur at the times, in the amounts and upon the conditions set forth in this Section 3 and in Section 4, provided that, except as otherwise expressly set forth in this Agreement, the Continuous Service of the Grantee continues through and on the each applicable vesting date.

(b) As soon as practicable following the Interim Valuation Date, but as of the Interim Valuation Date, the Committee will:

- (i) determine the Interim Absolute TRS Pool (if any);
- (ii) determine the Interim Relative TRS Pool (if any);
- (iii) determine the Interim Relative Offset Amount (if any);
- (iv) determine the Interim Total Outperformance Pool (if any);

(v) multiply (x) the Interim Total Outperformance Pool calculated as of the Interim Valuation Date by (y) the Grantee's Participation Percentage as of the Interim Valuation Date; and

(vi) divide the resulting amount by the highest Common Share Price among those calculated as of every day within the period of one hundred and twenty (120) days immediately preceding the Interim Valuation Date (appropriately adjusted to the extent that the Shares Amount for one Partnership Unit is greater or less than one Common Share).

The resulting number is hereafter referred to as the "Interim OPP Unit Equivalent". A number of Award OPP Units equal to the Interim OPP Unit Equivalent shall thereafter no longer be subject to forfeiture pursuant to this Section 3, but shall still be subject to vesting pursuant to Section 3(e) hereof. If the Interim OPP Unit Equivalent is smaller than the number of Award OPP Units previously issued to the Grantee, (including any additional LTIP Units added to the Award OPP Units under Section 3(b) above) then the balance of the Award OPP Units shall continue to be subject to forfeiture pursuant to this Section 3. If the Interim OPP Unit Equivalent is greater than the number of Award OPP Units previously issued to the Grantee, then, upon the performance of the calculations set forth in this Section 3(c): (A) the Company shall cause the Partnership to issue to the Grantee, as of the Second Valuation Date, a number of additional LTIP Units equal to the difference; (B) such additional LTIP Units shall be added to the Award OPP Units previously issued, if any, and thereby become part of this Award; (C) the Company

and the Partnership shall take such corporate and Partnership action as is necessary to accomplish the grant of such additional LTIP Units; and (D) thereafter the term Award OPP Units will refer collectively to the Award OPP Units, if any, issued prior to such additional grant plus such additional LTIP Units; provided that such issuance will be subject to the Grantee executing and delivering such documents, comparable to the documents executed and delivered in connection with this Agreement, as the Company and/or the Partnership reasonably request in order to comply with all applicable legal requirements, including, without limitation, federal and state securities laws.

(c) As soon as practicable following the Final Valuation Date, but as of the Final Valuation Date, the Committee will:

- (i) determine the Final Absolute TRS Pool (if any);
- (ii) determine the Final Relative TRS Pool (if any);
- (iii) determine the Final Relative Offset Amount (if any);
- (iv) determine the Final Total Outperformance Pool (if any);

(v) multiply (x) the Final Total Outperformance Pool calculated as of the Final Valuation Date by (y) the Grantee's Participation Percentage as of the Final Valuation Date; and

(vi) divide the resulting amount by the highest Common Share Price among those calculated as of every day within the period of one hundred and twenty (120) days immediately preceding the Final Valuation Date (appropriately adjusted to the extent that the Shares Amount for one Partnership Unit is greater or less than one Common Share).

The resulting number is hereafter referred to as the "Final OPP Unit Equivalent". If the Final OPP Unit Equivalent (plus the Interim OPP Unit Equivalent, if any) is smaller than the number of Award OPP Units previously issued to the Grantee, then the Grantee, as of the Final Valuation Date, shall forfeit a number of Award OPP Units equal to the difference, and thereafter the term Award OPP Units will refer only to the remaining Award OPP Units that were not so forfeited. If the Final OPP Unit Equivalent (plus the Interim OPP Unit Equivalent, if any) is greater than the number of Award OPP Units previously issued to the Grantee (including any additional LTIP Units added to the Award OPP Units under Section 3(b) above), then, upon the performance of the calculations set forth in this Section 3(c): (A) the Company shall cause the Partnership to issue to the Grantee, as of the Final Valuation Date, a number of additional LTIP Units equal to the difference; (B) such additional LTIP Units shall be added to the Award OPP Units previously issued, if any, and thereby become part of this Award; (C) the Company and the Partnership shall take such corporate and Partnership action as is necessary to accomplish the grant of such additional LTIP Units; and (D) thereafter the term Award OPP Units will refer collectively to the Award OPP Units, if any, issued prior to such additional grant plus such additional LTIP Units; provided that such issuance will be subject to the Grantee executing and delivering such documents, comparable to the documents executed and delivered in connection with this Agreement, as the Company and/or the Partnership reasonably request in order to comply with

all applicable legal requirements, including, without limitation, federal and state securities laws. If the Final OPP Unit Equivalent (plus the Interim OPP Unit Equivalent, if any) is the same as the number of Award OPP Units previously issued to the Grantee, then there will be no change to the number of Award OPP Units under this Award pursuant to this Section 3.

(d) If the Grantee earns any Award OPP Units as of the Interim Valuation Date or the Final Valuation Date pursuant to the calculations set forth in Section 3(b) or 3(c) hereof, respectively, then, as of the date on which such Award OPP Units are earned, the Grantee will also earn an additional number of Award OPP Units equal to the sum of the following calculations, which will be performed by the Committee:

- I. For each Dividend Payment between the Effective Date and the date as of which such Award OPP units are earned, calculate the following numbers of additional Award OPP Units:

$$\frac{(W*X)}{Z}$$

Where:

W = the number of Award OPP Units earned as of such date pursuant to Section 3(b) or 3(c) hereof, as applicable (appropriately adjusted to the extent that the Shares Amount for one partnership Unit is greater or less than one Common Share);

X = 90% of the Dividend Payment; and

Z = The Ex-Dividend Common Share Price on the “ex-dividend” date for such Dividend Payment.

- II. Add all the amounts calculated pursuant to I. above together.

The resulting number of Award OPP Units earned pursuant to the calculation set forth in this Section 3(d) shall be added to the Interim OPP Unit Equivalent or Final OPP Unit Equivalent, as applicable, and be subject to vesting pursuant to Section 3(e) hereof and all the provisions of Section 4 hereof applicable to such other 2013 OPP Units. If the total number of Award OPP Units so earned is greater than the number of Award OPP Units previously issued to the Grantee, then, upon the performance of the calculations set forth in this Section 3(d): (A) the Company shall cause the Partnership to issue to the Grantee, as of the Interim Valuation Date or Final Valuation Date, as applicable, a number of additional LTIP Units equal to the difference; (B) such additional LTIP Units shall be added to the Award OPP Units previously issued, if any, and thereby become part of this Award; (C) the Company and the Partnership shall take such corporate and Partnership action as is necessary to accomplish the grant of such additional LTIP Units; and (D) thereafter the term Award OPP Units will refer collectively to the Award OPP Units, if any, issued prior to such additional grant plus such additional LTIP Units; provided that such issuance will be subject to the Grantee executing and delivering such documents, comparable to the documents executed and delivered in connection with this Agreement, as the

Company and/or the Partnership may reasonably request in order to comply with all applicable legal requirements, including, without limitation, federal and state securities laws.

(e) If any of the Award OPP Units have been earned based on performance as provided in Section 3(b) or 3(c), subject to Section 4 hereof, the Total OPP Unit Equivalent shall become vested in the following amounts and at the following times, provided that the Continuous Service of the Grantee continues through and on the applicable vesting date or the accelerated vesting date provided in Section 4 hereof, as applicable:

(i) thirty-three and one-third percent (33.33%) of the Total OPP Unit Equivalent shall become vested on March 15, 2016;

(ii) thirty-three and one-third percent (33.33%) of the Total OPP Unit Equivalent shall become vested on March 15, 2017; and

(iii) thirty-three and one-third percent (33.33%) of the Total OPP Unit Equivalent shall become vested on March 15, 2018.

To the extent that Schedule A provides for amounts or schedules of vesting that conflict with the provisions of this Section 3(e), the provisions of Schedule A will govern. For the avoidance of doubt, vesting pursuant to this Section 3(e) shall not distinguish between Award OPP Units that have ceased to be subject to forfeiture as part of the Interim OPP Unit Equivalent or Final OPP Unit Equivalent.

(f) Any Award OPP Units that do not become vested pursuant to Section 3(e) or Section 4 hereof shall, without payment of any consideration by the Partnership, automatically and without notice be forfeited and be and become null and void, and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Award OPP Units.

(g) Upon the occurrence of (a) a Change in Control, and (b) the termination of employment of the Grantee with the Company or its Affiliates within 24 months of such Change in Control (i) by the Company (or its successor) without Cause or (ii) by the Grantee with Good Reason, then any Award OPP Units that have not been previously forfeited (after giving effect to any forfeiture of Award OPP Units pursuant to the calculations set forth in this Section 3 hereof occurring in connection with such Change in Control) shall vest immediately.

(h) In the event of a Change in Control, the Committee will make any determinations and certifications required by this Agreement and any provisions necessary with respect to the lapse of forfeiture restrictions and/or acceleration of vesting of this Award within a period of time that enables (i) the Grantee to exercise election, voting or other rights in connection with such Change in Control on the same basis as a Class A Unit holder and (ii) the Company to take any action or make any deliveries or payments it is obligated to make hereunder or under the Partnership Agreement not later than the date of consummation of the Change in Control. For avoidance of doubt, in the event of a Change in Control, the performance of all calculations and actions pursuant to Section 3(b) and 3(c) hereof and the exercise of any election, voting or other rights pursuant to this Section 3(h) shall be conditioned upon the final consummation of such Change in Control.

4. Termination of Grantee's Continuous Service; Death and Disability.

(a) If the Grantee is a party to a Service Agreement and his or her Continuous Service terminates, the provisions of Sections 4(b), 4(c), 4(d), 4(e), 4(f) and 4(g) hereof shall govern the treatment of the Grantee's Award OPP Units exclusively, unless the Service Agreement contains provisions that expressly refer to this Section 4(a) and provides that those provisions of the Service Agreement shall instead govern the treatment of the Grantee's Award OPP Units upon such termination. The foregoing sentence will be deemed an amendment to any applicable Service Agreement to the extent required to apply its terms consistently with this Section 4, such that, by way of illustration, any provisions of the Service Agreement with respect to accelerated vesting or payout or the lapse of forfeiture restrictions relating to the Grantee's incentive or other compensation awards in the event of certain types of termination of the Grantee's Continuous Service with the Company (such as, for example, termination at the end of the term, termination without Cause by the employer or termination for Good Reason by the employee) shall not be interpreted as requiring that any calculations set forth in Section 3 hereof be performed, or vesting occur with respect to this Award other than as specifically provided in this Section 4. In the event that an entity to which the Grantee provides services ceases to be an Affiliate of the Company, such action shall be deemed to be a termination of the Grantee's Continuous Service for purposes of this Agreement, provided that the Committee, in its sole and absolute discretion, may make provision in such circumstances for the lapse of forfeiture restrictions and/or accelerated vesting of some or all of the Grantee's unvested Award OPP Units that have not previously been forfeited, effective immediately prior to such event, or determine that the Grantee's Continuous Service to the Company or any other of its Affiliates has not been terminated. Notwithstanding any of the foregoing, in the event of any conflict between the provisions of the Grantee's Service Agreement, if any, and the provisions of this Section 4 with respect to death or Disability, the provisions of such Service Agreement shall govern the treatment of the Grantee's Award OPP Units in the event of death or Disability.

(b) In the event of termination of the Grantee's Continuous Service by (A) the Company without Cause, (B) the Grantee for Good Reason, or (C) the Grantee upon Retirement (each a "Qualified Termination") prior to the Final Valuation Date, then the Grantee will not forfeit the Award OPP Units upon such termination, but the following provisions of this Section 4(b) shall modify the calculations required to determine the Total OPP Unit Equivalent and/or the vesting of the Total OPP Unit Equivalent, as applicable, with respect to the Grantee only:

(i) the calculations provided in Section 3(b) and Section 3(c) hereof shall be performed as of the Interim Valuation Date and Final Valuation Date, respectively, as if the Qualified Termination had not occurred;

(ii) each of (I) the Interim OPP Unit Equivalent calculated pursuant to Section 3(b) and (II) the Final OPP Unit Equivalent calculated pursuant to Section 3(c) shall be multiplied by the applicable Partial Service Factor (with the resulting numbers being rounded to the nearest whole LTIP Unit or, in the case of 0.5 of a unit, up to the next whole unit), and such adjusted number of LTIP Units shall be deemed the Grantee's Interim OPP Unit Equivalent and Final OPP Unit Equivalent, respectively, for all purposes under this Agreement; and

(iii) the Grantee's Interim OPP Unit Equivalent and Total OPP Unit Equivalent as adjusted pursuant to Section 4(b)(ii) above shall no longer be subject to forfeiture pursuant to Section 3(e) hereof; provided that, notwithstanding that no Continuous Service requirement pursuant to Section 3(e) hereof will apply to the Grantee after the effective date of a Qualified Termination, the Grantee will not have the right to Transfer (as defined in Section 7 hereof) his or her Award OPP Units or request redemption of his or her Award Partnership Units under the Partnership Agreement until such dates as of which his or her Total OPP Unit Equivalent, as adjusted pursuant to Section 4(b)(ii) above, would have become vested pursuant to Section 3(e) hereof absent a Qualified Termination. For the avoidance of doubt, the purpose of this Section 4(b)(iii) is to prevent a situation where grantees of 2013 OPP awards who have had a Qualified Termination would be able to realize the value of their Award OPP Units or Award Partnership Units (through Transfer or redemption) before other grantees of 2013 OPP awards whose Continuous Service continues through the applicable vesting dates set forth in Section 3(e) hereof.

(c) In the event of Qualified Termination on or after the Final Valuation Date, then all of the Grantee's unvested Award OPP Units that have not previously been forfeited pursuant to the calculations set forth in Section 3(b) or Section 3(c) hereof, but remain subject to time-based vesting pursuant to Section 3(e) hereof as of the time of such Qualified Termination shall no longer be subject to forfeiture pursuant to Section 3(e) hereof; provided that, notwithstanding that no Continuous Service requirement pursuant to Section 3(e) hereof will apply to the Grantee after the effective date of a Qualified Termination, the Grantee will not have the right to Transfer (as defined in Section 7 hereof) his or her Award OPP Units or request redemption of his or her Award Partnership Units under the Partnership Agreement until such dates as of which his or her Total OPP Unit Equivalent would have become vested pursuant to Section 3(e) absent a Qualified Termination. For the avoidance of doubt, the purpose of this Section 4(c) is to prevent a situation where grantees of 2013 OPP awards who have had a Qualified Termination would be able to realize the value of their Award OPP Units or Award Partnership Units (through Transfer or redemption) before other grantees of OPP awards whose Continuous Service continues through the applicable vesting dates set forth in Section 3(e) hereof.

(d) Notwithstanding the foregoing, in the event any payment to be made hereunder after giving effect to this Section 4 is determined to constitute "nonqualified deferred compensation" subject to Section 409A of the Code, then, to the extent the Grantee is a "specified employee" under Section 409A of the Code subject to the six-month delay thereunder, any such payments to be made during the six-month period commencing on the Grantee's "separation from service" (as defined in Section 409A of the Code) shall be delayed until the expiration of such six-month period.

(e) In the event of a termination of the Grantee's Continuous Service as a result of his or her death or Disability prior to the Final Valuation Date, the Grantee will not forfeit the Award OPP Units, but the following provisions of this Section 4(e) shall apply:

(i) the calculations provided in Section 3(b) and Section 3(c) hereof shall be performed as of the Interim Valuation Date and Final Valuation Date, respectively, as if the Grantee's death or Disability had not occurred; and

(ii) each of (I) the Interim OPP Unit Equivalent calculated pursuant to Section 3(b) and (II) the Final OPP Unit Equivalent calculated pursuant to Section 3(c) shall be multiplied by the applicable Partial Service Factor (with the resulting numbers being rounded to the nearest whole LTIP Unit or, in the case of 0.5 of a unit, up to the next whole unit), and such adjusted number of LTIP Units shall be deemed the Grantee's Interim OPP Unit Equivalent and Final OPP Unit Equivalent, respectively, for all purposes under this Agreement;

(iii) 100% of the Grantee's Interim OPP Unit Equivalent as adjusted pursuant to Section 4(e)(ii) above shall no longer be subject to forfeiture pursuant to Section 3(e) hereof and shall automatically and immediately vest as of the Interim Valuation Date; and

(iv) 100% of the Grantee's Total OPP Unit Equivalent as adjusted pursuant to Section 4(e)(ii) above shall no longer be subject to forfeiture pursuant to Section 3(e) hereof and shall automatically and immediately vest as of the Final Valuation Date.

(f) In the event of a termination of the Grantee's Continuous Service as a result of his or her death or Disability after the Final Valuation Date, 100% of the Grantee's Total OPP Unit Equivalent shall no longer be subject to forfeiture pursuant to Section 3(e) hereof and shall automatically and immediately vest as of such termination date.

(g) In the event of a termination of the Grantee's Continuous Service other than a Qualified Termination or by reason of death or Disability, all Award OPP Units except for those that, as of the date at such termination, both (i) have ceased to be subject to forfeiture pursuant to Sections 3(b) and/or 3(c) hereof, as applicable, and (ii) have vested pursuant to Section 3(e) hereof shall, without payment of any consideration by the Partnership, automatically and without notice terminate, be forfeited and be and become null and void, and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such Award OPP Units.

5. Payments by Award Recipients; Status as Partner. No amount shall be payable to the Company or the Partnership by the Grantee at any time in respect of this Agreement. The Grantee shall have no rights with respect to this Agreement (and the Award evidenced hereby) unless he or she shall have accepted this Agreement by (i) signing and delivering to the Partnership a copy of this Agreement and (ii) unless the Grantee is already a Partner (as defined in the Partnership Agreement), signing, as a Limited Partner, and delivering to the Partnership a counterpart signature page to the Partnership Agreement (attached hereto as Exhibit A). Upon acceptance of this Agreement by the Grantee, the Partnership Agreement shall be amended to reflect the issuance to the Grantee of the LTIP Units so accepted. Thereupon, the Grantee shall have all the rights of a Limited Partner of the Partnership with respect to the number of 2013 OPP Units specified on Schedule A hereto, as set forth in the Partnership Agreement, subject,

however, to the restrictions and conditions specified herein. Award OPP Units constitute and shall be treated for all purposes as the property of the Grantee, subject to the terms of this Agreement and the Partnership Agreement.

6. Distributions.

(a) The holder of the Award OPP Units shall be entitled to receive distributions with respect to such Award OPP Units to the extent provided for in the Partnership Agreement as modified hereby.

(b) The Distribution Participation Date (as defined in the Partnership Agreement) for the Interim OPP Unit Equivalent and the Final OPP Unit Equivalent (to the extent provided in Section 6(c) below) shall be the Interim Valuation Date or the Final Valuation Date, respectively, except that if the provisions of Section 4(b) hereof become applicable to the Grantee, the Distribution Participation Date for the Grantee shall be accelerated to the date the calculations provided in Section 3 hereof are performed with respect to the Award OPP Units that are no longer subject to forfeiture pursuant to Section 4(b) hereof.

(c) Following each applicable Distribution Participation Date, the Grantee shall be entitled to receive one hundred percent (100%) of the same distributions payable with respect to Class A Units on the number of Award OPP Units which equals:

(i) if the Distribution Participation Date is the Interim Valuation Date, the Interim OPP Unit Equivalent;
and

(ii) if the Distribution Participation Date is the Final Valuation Date (or an earlier date if the Distribution Participation Date is accelerated pursuant to Section 6(b)), the Total OPP Unit Equivalent.

(d) Each Award OPP Unit shall be considered a Special LTIP Unit (as defined in the Partnership Agreement) and as such: (i) the LTIP Unit Initial Sharing Percentage (as defined in the Partnership Agreement) shall be ten percent (10%) and (ii) the Award OPP Units shall not be entitled to receive distributions prior to the applicable Distribution Participation Date. On the applicable Distribution Participation Date, Award OPP Units shall be entitled to a Special LTIP Unit Distribution (as defined in the Partnership Agreement) to the extent provided in the Partnership Agreement. The Distribution Measurement Date (as defined in the Partnership Agreement) with respect to the Award OPP Units shall be the Effective Date and all of the Award OPP Units granted pursuant to this Agreement shall be deemed to have been issued as part of the Same Award (as defined in the Partnership Agreement).

(e) For the avoidance of doubt, after the applicable Distribution Participation Date, Award OPP Units, both vested and (until and unless forfeited pursuant to Section 3(e) and 4(g) hereof) unvested, shall be entitled to receive the same distributions payable with respect to Class A Units if the payment date for such distributions is after the applicable Distribution Participation Date, even though the record date for such distributions is before the applicable Distribution Participation Date.

(f) All distributions paid with respect to Award OPP Units, whether at the rate provided in Sections 6(d) hereof prior to the applicable Distribution Participation Date or at the rate provided in Sections 6(c) hereof after the applicable Distribution Participation Date, shall be fully vested and non-forfeitable when paid, regardless of the fact that the underlying 2013 OPP Units may be subject to forfeiture or have not yet become, or never become, vested pursuant to Sections 3 and 4 hereof.

7. Restrictions on Transfer. Except as otherwise permitted by the Committee, none of the Award OPP Units granted hereunder nor any of the Partnership Units of the Partnership into which such Award OPP Units may be converted (the “**Award Partnership Units**”) shall be sold, assigned, transferred, pledged, hypothecated, given away or in any other manner disposed of, encumbered, whether voluntarily or by operation of law (each such action a “**Transfer**”), and the Redemption Right (as defined in the Partnership Agreement) may not be exercised with respect to the Award Partnership Units, provided that, at any time after the date that (a) is one year after the Award OPP Units have become vested and (b) is at least two (2) years after the Effective Date, (i) Award OPP Units or Award Partnership Units may be Transferred to the Grantee’s Family Members by gift or pursuant to domestic relations order in settlement of marital property rights; and (ii) Award OPP Units or Award Partnership Units may be Transferred to an entity in which fifty percent (50%) of the voting interests are owned by Family Members (or the Grantee) in exchange for an interest in such entity; notwithstanding the foregoing, at any time after the date that (a) the Award OPP Units vest and (b) is at least two (2) years after the Effective Date, the Redemption Right may be exercised with respect to Award Partnership Units, and Award Partnership Units may be Transferred to the Partnership or the Company in connection with the exercise of the Redemption Right, in accordance with and to the extent otherwise permitted by the terms of the Partnership Agreement; provided that any Shares received on such redemption may not be Transferred until the date that is one year after the Award OPP Units have become vested. Additionally, the transferee must agree in writing with the Company and the Partnership to be bound by all the terms and conditions of this Agreement and that subsequent transfers shall be prohibited except those in accordance with this Section 7 and all Transfers of Award OPP Units or Award Partnership Units must be in compliance with all applicable securities laws (including, without limitation, the Securities Act) and the applicable terms and conditions of the Partnership Agreement. In connection with any Transfer of Award OPP Units or Award Partnership Units, the Partnership may require the Grantee to provide an opinion of counsel, satisfactory to the Partnership, that such Transfer is in compliance with all federal and state securities laws (including, without limitation, the Securities Act). Any attempted Transfer of Award OPP Units or Award Partnership Units not in accordance with the terms and conditions of this Section 7 shall be null and void, and the Partnership shall not reflect on its records any change in record ownership of any Award OPP Units or Award Partnership Units as a result of any such Transfer, shall otherwise refuse to recognize any such Transfer and shall not in any way give effect to any such Transfer of any Award OPP Units or Award Partnership Units. Except as provided expressly in this Section 7, this Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution.

8. Changes in Capital Structure. If (i) the Company shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of shares, sale of all or substantially all of the assets or stock of the Company or other transaction similar thereto, (ii) any

stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization, significant repurchases of stock, or other similar change in the capital stock of the Company or any other event that constitutes a change in stock under the terms of the Share Plan shall occur, (iii) any extraordinary dividend or other distribution to holders of Common Shares or Class A Units shall be declared and paid other than in the ordinary course, or (iv) any other event shall occur that in each case in the good faith judgment of the Committee necessitates action by way of appropriate equitable or proportionate adjustment in the terms of this Award, this Agreement or the 2013 OPP Units to avoid distortion in the value of this Award, then the Committee shall take such action as it deems necessary to maintain the Grantee's rights hereunder so that they are substantially proportionate to the rights existing under this Award and the terms of the 2013 OPP Units prior to such event, including, without limitation:

(A) interpretations of or modifications to any defined term in this Agreement; (B) adjustments in any calculations provided for in this Agreement, and (C) substitution of other awards under the Share Plan or otherwise.

9. Miscellaneous.

(a) Amendment. This Agreement may be amended or modified only with the consent of the Company and the Partnership acting through the Committee; provided that any such amendment or modification materially and adversely affecting the rights of the Grantee hereunder must be consented to by the Grantee to be effective as against him. Notwithstanding the foregoing, this Agreement may be amended in writing signed only by the Company and the Partnership to correct any errors or ambiguities in this Agreement and/or to make such changes that do not materially adversely affect the Grantee's rights hereunder. This grant shall in no way affect the Grantee's participation or benefits under any other plan or benefit program maintained or provided by the Company or the Partnership.

(b) Incorporation of Share Plan; Committee Determinations. The provisions of the Share Plan are hereby incorporated by reference as if set forth herein. In the event of a conflict between this Agreement and the Share Plan, the Share Plan shall govern. The Committee will make the determinations and certifications required by this Award as promptly as reasonably practicable following the occurrence of the event or events necessitating such determinations or certifications.

(c) Status of 2013 OPP Units under the Share Plan. This Award and the other 2013 OPP awards constitute awards of OP Units (as defined in the 2010 Plan) by the Company under the 2010 Plan. The Award OPP Units are interests in the Partnership. The number of Common Shares reserved for issuance under the Share Plan underlying outstanding Award OPP Units will be determined by the Committee in light of all applicable circumstances, including calculations made or to be made under Section 3 hereof, vesting, capital account allocations and/or balances under the Partnership Agreement, the conversion ratio in effect between LTIP Units and Class A Units and the exchange ratio in effect between Class A Units and Common Shares. The Company will have the right at its option, as set forth in the Partnership Agreement, to issue Common Shares in exchange for Award Partnership Units in accordance with the Partnership Agreement, subject to certain limitations set forth in the Partnership Agreement, and such Common Shares, if issued, will be issued under the Share Plan. The Grantee must be eligible to receive the Award OPP Units in compliance with applicable federal and state

securities laws and to that effect is required to complete, execute and deliver certain covenants, representations and warranties (attached as Exhibit B). The Grantee acknowledges that the Grantee will have no right to approve or disapprove such determination by the Committee.

(d) Legend. The records of the Partnership evidencing the Award OPP Units shall bear an appropriate legend, as determined by the Partnership in its sole discretion, to the effect that such 2013 OPP Units are subject to restrictions as set forth herein, in the Share Plan, and in the Partnership Agreement.

(e) Compliance With Law. The Partnership and the Grantee will make reasonable efforts to comply with all applicable securities laws. In addition, notwithstanding any provision of this Agreement to the contrary, no 2013 OPP Units will become vested or be paid at a time that such vesting or payment would result in a violation of any such law.

(f) Investment Representations; Registration. The Grantee hereby makes the covenants, representations and warranties set forth on Exhibit B attached hereto. All of such covenants, warranties and representations shall survive the execution and delivery of this Agreement by the Grantee. The Partnership will have no obligation to register under the Securities Act any 2013 OPP Units or any other securities issued pursuant to this Agreement or upon conversion or exchange of 2013 OPP Units. The Grantee agrees that any resale of the shares of Common Shares received upon the exchange of Units into which 2013 OPP Units may be converted shall not occur during the "blackout periods" forbidding sales of Company securities, as set forth in the then applicable Company employee manual or insider trading policy. In addition, any resale shall be made in compliance with the registration requirements of the Securities Act or an applicable exemption therefrom, including, without limitation, the exemption provided by Rule 144 promulgated thereunder (or any successor rule).

(g) Section 83(b) Election. In connection with each separate issuance of LTIP Units under this Award pursuant to Section 3 hereof the Grantee hereby agrees to make an election to include in gross income in the year of transfer the applicable Award OPP Units pursuant to Section 83(b) of the Code substantially in the form attached hereto as Exhibit C and to supply the necessary information in accordance with the regulations promulgated thereunder. The Grantee agrees to file the election (or to permit the Partnership to file such election on the Grantee's behalf) within thirty (30) days after the award of the 2013 OPP Units hereunder with the IRS Service Center at which such Grantee files his personal income tax returns, and to file a copy of such election with the Grantee's U.S. federal income tax return for the taxable year in which the 2013 OPP Units are awarded to the Grantee.

(h) Severability. If, for any reason, any provision of this Agreement is held invalid, such invalidity shall not affect any other provision of this Agreement not so held invalid, and each such other provision shall to the full extent consistent with law continue in full force and effect. If any provision of this Agreement shall be held invalid in part, such invalidity shall in no way affect the rest of such provision not held so invalid, and the rest of such provision, together with all other provisions of this Agreement, shall to the full extent consistent with law continue in full force and effect.

(i) Governing Law. This Agreement is made under, and will be construed in accordance with, the laws of State of New York, without giving effect to the principles of conflict of laws of such State.

(j) No Obligation to Continue Position as an Employee, Consultant or Advisor. Neither the Company nor any Affiliate is obligated by or as a result of this Agreement to continue to have the Grantee as an employee, consultant or advisor and this Agreement shall not interfere in any way with the right of the Company or any Affiliate to terminate the Grantee's Continuous Service at any time.

(k) Notices. Any notice to be given to the Company shall be addressed to the Secretary of the Company at 888 Seventh Avenue, New York, New York 10019 and any notice to be given the Grantee shall be addressed to the Grantee at the Grantee's address as it appears on the employment records of the Company, or at such other address as the Company or the Grantee may hereafter designate in writing to the other.

(l) Withholding and Taxes. No later than the date as of which an amount first becomes includible in the gross income of the Grantee for income tax purposes or subject to the Federal Insurance Contributions Act withholding with respect to this Award, the Grantee will pay to the Company or, if appropriate, any of its Affiliates, or make arrangements satisfactory to the Committee regarding the payment of, any United States federal, state or local or foreign taxes of any kind required by law to be withheld with respect to such amount; provided, however, that if any Award OPP Units or Award Partnership Units are withheld (or returned), the number of Award OPP Units or Award Partnership Units so withheld (or returned) shall be limited to a number which has a fair market value on the date of withholding equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income. The obligations of the Company under this Agreement will be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Grantee.

(m) Headings. The headings of paragraphs hereof are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

(n) Counterparts. This Agreement may be executed in multiple counterparts with the same effect as if each of the signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

(o) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and any successors to the Company and the Partnership, on the one hand, and any successors to the Grantee, on the other hand, by will or the laws of descent and distribution, but this Agreement shall not otherwise be assignable or otherwise subject to hypothecation by the Grantee.

(p) Section 409A. This Agreement shall be construed, administered and interpreted in accordance with a good faith interpretation of Section 409A of the Code. Any provision of this Agreement that is inconsistent with Section 409A of the Code, or that may result in penalties under Section 409A of the Code, shall be amended, with the reasonable cooperation of the Grantee, the Company and the Partnership, to the extent necessary to exempt it from, or bring it into compliance with Section 409A of the Code.

[signature page follows]

IN WITNESS WHEREOF, the undersigned have caused this Award Agreement to be executed as of the 15th day of March, 2013.

VORNADO REALTY TRUST

By: _____

Name: Joseph Macnow

Title: Executive Vice President and Chief Financial Officer

VORNADO REALTY L.P.

By: Vornado Realty Trust, its sole general partner:

By: _____

Name: Joseph Macnow

Title: Executive Vice President and Chief Financial Officer

GRANTEE

Name: _____

EXHIBIT A

FORM OF LIMITED PARTNER SIGNATURE PAGE

The Grantee, desiring to become one of the within named Limited Partners of Vornado Realty L.P., hereby accepts all of the terms and conditions of (including, without limitation, the Section 15.11 “Power of Attorney” thereof), and becomes a party to, the Agreement of Limited Partnership, dated as of October 20, 1997, of Vornado Realty L.P., as amended (the “**Partnership Agreement**”). The Grantee agrees that this signature page may be attached to any counterpart of the Partnership Agreement and further agrees as follows (where the term “**Limited Partner**” refers to the Grantee):

1. The Limited Partner hereby confirms that it has reviewed the terms of the Partnership Agreement and affirms and agrees that it is bound by each of the terms and conditions of the Partnership Agreement, including, without limitation, the provisions thereof relating to limitations and restrictions on the transfer of Partnership Units (as defined in the Partnership Agreement).
 2. The Limited Partner hereby confirms that it is acquiring the Partnership Units for its own account as principal, for investment and not with a view to resale or distribution, and that the Partnership Units may not be transferred or otherwise disposed of by the Limited Partner otherwise than in a transaction pursuant to a registration statement filed by the Partnership (which it has no obligation to file) or that is exempt from the registration requirements of the Securities Act of 1933, as amended (the “**Securities Act**”), and all applicable state and foreign securities laws, and the General Partner (as defined in the Partnership Agreement) may refuse to transfer any Partnership Units as to which evidence of such registration or exemption from registration satisfactory to the General Partner is not provided to it, which evidence may include the requirement of a legal opinion regarding the exemption from such registration. If the General Partner delivers to the Limited Partner Common Shares of Beneficial Interest of the General Partner (“**Common Shares**”) upon redemption of any Partnership Units, the Common Shares will be acquired for the Limited Partner’s own account as principal, for investment and not with a view to resale or distribution, and the Common Shares may not be transferred or otherwise disposed of by the Limited Partner otherwise than in a transaction pursuant to a registration statement filed by the General Partner with respect to such Common Shares (which it has no obligation under the Partnership Agreement to file) or that is exempt from the registration requirements of the Securities Act and all applicable state and foreign securities laws, and the General Partner may refuse to transfer any Common Shares as to which evidence of such registration or exemption from such registration satisfactory to the General Partner is not provided to it, which evidence may include the requirement of a legal opinion regarding the exemption from such registration.
 3. The Limited Partner hereby affirms that it has appointed the General Partner, any Liquidator (as defined in the Partnership Agreement) and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead, in accordance with Section 15.11 of the Partnership Agreement, which section is hereby incorporated by reference. The foregoing power of attorney is hereby declared to be irrevocable
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and a power coupled with an interest, and it shall survive and not be affected by the death, incompetency, dissolution, disability, incapacity, bankruptcy or termination of the Limited Partner and shall extend to the Limited Partner's heirs, executors, administrators, legal representatives, successors and assigns.

4. The Limited Partner hereby confirms that, notwithstanding any provisions of the Partnership Agreement to the contrary, the Award OPP Units shall not be redeemable by the Limited Partner pursuant to Section 8.6 of the Partnership Agreement.

5. (a) The Limited Partner hereby irrevocably consents in advance to any amendment to the Partnership Agreement, as may be recommended by the General Partner, intended to avoid the Partnership being treated as a publicly-traded partnership within the meaning of Section 7704 of the Internal Revenue Code, including, without limitation, (x) any amendment to the provisions of Section 8.6 of the Partnership Agreement intended to increase the waiting period between the delivery of a Notice of Redemption (as defined in the Partnership Agreement) and the Specified Redemption Date (as defined in the Partnership Agreement) and/or the Valuation Date (as defined in the Partnership Agreement) to up to sixty (60) days or (y) any other amendment to the Partnership Agreement intended to make the redemption and transfer provisions, with respect to certain redemptions and transfers, more similar to the provisions described in Treasury Regulations Section 1.7704-1(f).

(b) The Limited Partner hereby appoints the General Partner, any Liquidator and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead, to execute and deliver any amendment referred to in the foregoing paragraph 5(a) on the Limited Partner's behalf. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and not be affected by the death, incompetency, dissolution, disability, incapacity, bankruptcy or termination of the Limited Partner and shall extend to the Limited Partner's heirs, executors, administrators, legal representatives, successors and assigns.

6. The Limited Partner agrees that it will not transfer any interest in the Partnership Units (x) through (i) a national, non-U.S., regional, local or other securities exchange, (ii) PORTAL or (iii) an over-the-counter market (including an interdealer quotation system that regularly disseminates firm buy or sell quotations by identified brokers or dealers by electronic means or otherwise) or (y) to or through (a) a person, such as a broker or dealer, that makes a market in, or regularly quotes prices for, interests in the Partnership or (b) a person that regularly makes available to the public (including customers or subscribers) bid or offer quotes with respect to any interests in the Partnership and stands ready to effect transactions at the quoted prices for itself or on behalf of others.

7. The Limited Partner acknowledges that the General Partner shall be a third party beneficiary of the representations, covenants and agreements set forth in Sections 4 and 6 hereof. The Limited Partner agrees that it will transfer, whether by assignment or otherwise, Partnership Units only to the General Partner or to transferees that provide the Partnership and the General Partner with the representations and covenants set forth in Sections 4 and 6 hereof.

8. This Acceptance shall be construed and enforced in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

Signature Line for Limited Partner:

Name: _____

Date: _____, 2013

Address of Limited Partner:

EXHIBIT B

GRANTEE'S COVENANTS, REPRESENTATIONS AND WARRANTIES

The Grantee hereby represents, warrants and covenants as follows:

(a) The Grantee has received and had an opportunity to review the following documents (the “**Background Documents**”):

(i) The Company’s latest Annual Report to Stockholders;

(ii) The Company’s Proxy Statement for its most recent Annual Meeting of Stockholders;

(iii) The Company’s Report on Form 10-K for the fiscal year most recently ended;

(iv) The Company’s Form 10-Q, if any, for the most recently ended quarter if one has been filed by the Company with the Securities and Exchange Commission since the filing of the Form 10-K described in clause (iii) above;

(v) Each of the Company’s Current Report(s) on Form 8-K, if any, filed since the end of the fiscal year most recently ended for which a Form 10-K has been filed by the Company;

(vi) The Partnership Agreement;

(vii) The Share Plan; and

(viii) The Company’s Declaration of Trust, as amended.

The Grantee also acknowledges that any delivery of the Background Documents and other information relating to the Company and the Partnership prior to the determination by the Partnership of the suitability of the Grantee as a holder of LTIP Units shall not constitute an offer of LTIP Units until such determination of suitability shall be made.

(b) The Grantee hereby represents and warrants that

(i) The Grantee either (A) is an “accredited investor” as defined in Rule 501(a) under the Securities Act of 1933, as amended (the “**Securities Act**”), or (B) by reason of the business and financial experience of the Grantee, together with the business and financial experience of those persons, if any, retained by the Grantee to represent or advise him with respect to the grant to him of LTIP Units, the potential conversion of LTIP Units into Class A Units of the Partnership (“**Common Units**”) and the potential redemption of such Common Units for the Company’s Common Shares (“**REIT Shares**”), has such knowledge, sophistication and experience in financial and business matters and in making investment decisions of this type that the Grantee (I) is capable of evaluating the merits and risks of an investment in the Partnership and potential investment in the Company and of making an informed investment

decision, (II) is capable of protecting his own interest or has engaged representatives or advisors to assist him in protecting his interests, and (III) is capable of bearing the economic risk of such investment.

(ii) The Grantee understands that (A) the Grantee is responsible for consulting his own tax advisors with respect to the application of the U.S. federal income tax laws, and the tax laws of any state, local or other taxing jurisdiction to which the Grantee is or by reason of the award of LTIP Units may become subject, to his particular situation; (B) the Grantee has not received or relied upon business or tax advice from the Company, the Partnership or any of their respective employees, agents, consultants or advisors, in their capacity as such; (C) the Grantee provides or will provide services to the Partnership on a regular basis and in such capacity has access to such information, and has such experience of and involvement in the business and operations of the Partnership, as the Grantee believes to be necessary and appropriate to make an informed decision to accept this Award of LTIP Units; and (D) an investment in the Partnership and/or the Company involves substantial risks. The Grantee has been given the opportunity to make a thorough investigation of matters relevant to the LTIP Units and has been furnished with, and has reviewed and understands, materials relating to the Partnership and the Company and their respective activities (including, but not limited to, the Background Documents). The Grantee has been afforded the opportunity to obtain any additional information (including any exhibits to the Background Documents) deemed necessary by the Grantee to verify the accuracy of information conveyed to the Grantee. The Grantee confirms that all documents, records, and books pertaining to his receipt of LTIP Units which were requested by the Grantee have been made available or delivered to the Grantee. The Grantee has had an opportunity to ask questions of and receive answers from the Partnership and the Company, or from a person or persons acting on their behalf, concerning the terms and conditions of the LTIP Units. **The Grantee has relied upon, and is making its decision solely upon, the Background Documents and other written information provided to the Grantee by the Partnership or the Company.**

(iii) The LTIP Units to be issued, the Common Units issuable upon conversion of the LTIP Units and any REIT Shares issued in connection with the redemption of any such Common Units will be acquired for the account of the Grantee for investment only and not with a current view to, or with any intention of, a distribution or resale thereof, in whole or in part, or the grant of any participation therein, without prejudice, however, to the Grantee's right (subject to the terms of the LTIP Units, the Share Plan and this Agreement) at all times to sell or otherwise dispose of all or any part of his LTIP Units, Common Units or REIT Shares in compliance with the Securities Act, and applicable state securities laws, and subject, nevertheless, to the disposition of his assets being at all times within his control.

(iv) The Grantee acknowledges that (A) neither the LTIP Units to be issued, nor the Common Units issuable upon conversion of the LTIP Units, have been registered under the Securities Act or state securities laws by reason of a specific exemption or exemptions from registration under the Securities Act and applicable state securities laws and, if such LTIP Units or Common Units are represented by certificates, such certificates will bear a legend to such effect, (B) the reliance by the Partnership and the Company on such exemptions is predicated in part on the accuracy and completeness of the representations and warranties of the Grantee contained herein, (C) such LTIP Units or Common Units, therefore, cannot be resold unless registered under the Securities Act and applicable state securities laws, or unless an exemption

from registration is available, (D) there is no public market for such LTIP Units and Common Units and (E) neither the Partnership nor the Company has any obligation or intention to register such LTIP Units or the Common Units issuable upon conversion of the LTIP Units under the Securities Act or any state securities laws or to take any action that would make available any exemption from the registration requirements of such laws, except, that, upon the redemption of the Common Units for REIT Shares, the Company may issue such REIT Shares under the Share Plan and pursuant to a Registration Statement on Form S-8 under the Securities Act, to the extent that (I) the Grantee is eligible to receive such REIT Shares under the Share Plan at the time of such issuance, (II) the Company has filed a Form S-8 Registration Statement with the Securities and Exchange Commission registering the issuance of such REIT Shares and (III) such Form S-8 is effective at the time of the issuance of such REIT Shares. The Grantee hereby acknowledges that because of the restrictions on transfer or assignment of such LTIP Units acquired hereby and the Common Units issuable upon conversion of the LTIP Units which are set forth in the Partnership Agreement or this Agreement, the Grantee may have to bear the economic risk of his ownership of the LTIP Units acquired hereby and the Common Units issuable upon conversion of the LTIP Units for an indefinite period of time.

(v) The Grantee has determined that the LTIP Units are a suitable investment for the Grantee.

(vi) No representations or warranties have been made to the Grantee by the Partnership or the Company, or any officer, trustee, shareholder, agent, or Affiliate of any of them, and the Grantee has received no information relating to an investment in the Partnership or the LTIP Units except the information specified in paragraph (b) above.

(c) So long as the Grantee holds any LTIP Units, the Grantee shall disclose to the Partnership in writing such information as may be reasonably requested with respect to ownership of LTIP Units as the Partnership may deem reasonably necessary to ascertain and to establish compliance with provisions of the Code, applicable to the Partnership or to comply with requirements of any other appropriate taxing authority.

(d) The address set forth on the signature page of this Agreement is the address of the Grantee's principal residence, and the Grantee has no present intention of becoming a resident of any country, state or jurisdiction other than the country and state in which such residence is sited.

EXHIBIT C

ELECTION TO INCLUDE IN GROSS INCOME IN YEAR OF TRANSFER OF PROPERTY PURSUANT TO SECTION 83(b) OF THE INTERNAL REVENUE CODE

The undersigned hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code with respect to the property described below and supplies the following information in accordance with the regulations promulgated thereunder:

1. The name, address and taxpayer identification number of the undersigned are:

Name: _____ (the "Taxpayer")

Address: _____

Social Security No./Taxpayer Identification No.: _____

2. Description of property with respect to which the election is being made:

The election is being made with respect to _____ LTIP Units in Vornado Realty, L.P. (the "Partnership").

3. The date on which the LTIP Units were transferred is _____, 2013. The taxable year to which this election relates is calendar year 2013.

4. Nature of restrictions to which the LTIP Units are subject:

(a) With limited exceptions, until the LTIP Units vest, the Taxpayer may not transfer in any manner any portion of the LTIP Units without the consent of the Partnership.

(b) The Taxpayer's LTIP Units vest in accordance with the vesting provisions described in the Schedule attached hereto. Unvested LTIP Units are forfeited in accordance with the vesting provisions described in the Schedule attached hereto.

5. The fair market value at time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the LTIP Units with respect to which this election is being made was \$0 per LTIP Unit.

6. The amount paid by the Taxpayer for the LTIP Units was \$0 per LTIP Unit.

7. A copy of this statement has been furnished to the Partnership and Vornado Realty Trust.

Dated: _____ Name: _____

SCHEDULE TO EXHIBIT C

Vesting Provisions of LTIP Units

The LTIP Units are subject to time-based and performance-based vesting with the final vesting percentage equaling the product of the time-based vesting percentage and the performance-based vesting percentage. Performance-based vesting will be from zero percent (0%) to one hundred percent (100%) based on Vornado Realty Trust's (the "**Company's**") per-share total return to shareholders for the period from March 15, 2013 to March 15, 2016 (or earlier under certain circumstances). Under the time-based vesting hurdles, thirty-three and one-third percent (33.33%) of the LTIP Units will vest on each of March 15, 2016, March 15, 2017 and March 15, 2018, provided that the Taxpayer continues his or her service relationship with the Company, the Partnership or an affiliate of the Company through such dates, subject to acceleration in the event of certain extraordinary transactions or termination of the Taxpayer's service relationship with the Company under specified circumstances. Unvested LTIP Units are subject to forfeiture in the event of failure to vest based on the passage of time and the determination of the performance-based percentage.

SCHEDULE A TO 2012 OUTPERFORMANCE PLAN AWARD AGREEMENT

Date of Award Agreement:	
Name of Grantee:	
Participation Percentage:	
Number of LTIP Units Subject to Grant:	
Grant Date:	

Initials of Company representative: _____

Initials of Grantee: _____

May 6, 2013

Vornado Realty Trust
New York, New York

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Vornado Realty Trust for the periods ended March 31, 2013, and 2012, as indicated in our report dated May 6, 2013; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, is incorporated by reference in the following registration statements of Vornado Realty Trust:

Registration Statement No. 333-68462 on Form S-8
Amendment No.1 to Registration Statement No. 333-36080 on Form S-3
Registration Statement No. 333-64015 on Form S-3
Amendment No.1 to Registration Statement No. 333-50095 on Form S-3
Registration Statement No. 333-52573 on Form S-8
Registration Statement No. 333-29011 on Form S-8
Registration Statement No. 333-09159 on Form S-8
Registration Statement No. 333-76327 on Form S-3
Amendment No.1 to Registration Statement No. 333-89667 on Form S-3
Registration Statement No. 333-81497 on Form S-8
Registration Statement No. 333-102216 on Form S-8
Amendment No.1 to Registration Statement No. 333-102215 on Form S-3
Amendment No.1 to Registration Statement No. 333-102217 on Form S-3
Registration Statement No. 333-105838 on Form S-3
Registration Statement No. 333-107024 on Form S-3
Registration Statement No. 333-109661 on Form S-3
Registration Statement No. 333-114146 on Form S-3
Registration Statement No. 333-114807 on Form S-3
Registration Statement No. 333-121929 on Form S-3
Amendment No.1 to Registration Statement No. 333-120384 on Form S-3
Registration Statement No. 333-126963 on Form S-3
Registration Statement No. 333-139646 on Form S-3
Registration Statement No. 333-141162 on Form S-3
Registration Statement No. 333-150592 on Form S-3
Registration Statement No. 333-150593 on Form S-8
Registration Statement No. 333-166856 on Form S-3
Registration Statement No. 333-172880 on Form S-8

and in the following joint registration statements of Vornado Realty Trust and Vornado Realty L.P.:

Amendment No. 4 to Registration Statement No. 333-40787 on Form S-3
Amendment No. 4 to Registration Statement No. 333-29013 on Form S-3
Registration Statement No. 333-108138 on Form S-3
Registration Statement No. 333-122306 on Form S-3
Registration Statement No. 333-138367 on Form S-3
Registration Statement No. 333-162775 on Form S-3
Registration Statement No. 333-180640 on Form S-3

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

CERTIFICATION

I, Steven Roth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vornado Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure control and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 6, 2013

/s/ Steven Roth

Steven Roth

Chairman of the Board and Chief Executive Officer

CERTIFICATION

I, Joseph Macnow, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vornado Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure control and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 6, 2013

/s/ Joseph Macnow

Joseph Macnow

Executive Vice President –Finance and Administration and Chief Financial Officer

CERTIFICATION

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsection (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of Vornado Realty Trust (the "Company"), hereby certifies, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for quarter ended March 31, 2013 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 6, 2013

/s/ Steven Roth
Name: Steven Roth
Title: Chairman of the Board and Chief Executive Officer

CERTIFICATION

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsection (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of Vornado Realty Trust (the "Company"), hereby certifies, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for quarter ended March 31, 2013 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 6, 2013

/s/ Joseph Macnow

Name: Joseph Macnow

Title: Executive Vice President – Finance and
Administration and Chief Financial Officer