

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 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, 2005**

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of March 31, 2005, 129,701,581 of the registrant's common shares of beneficial interest are outstanding.

**PART I.**

**Financial Information:**

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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### VORNADO REALTY TRUST CONSOLIDATED BALANCE SHEETS

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

	(UNAUDITED) March 31, 2005	December 31, 2004
<b>ASSETS</b>		
Real estate, at cost:		
Land	\$ 1,685,515	\$ 1,681,792
Buildings and improvements	7,588,079	7,548,425
Development costs and construction in progress	191,322	180,968
Leasehold improvements and equipment	311,893	307,660
Total	9,776,809	9,718,845
Less accumulated depreciation and amortization	(1,465,703)	(1,404,441)
Real estate, net	8,311,106	8,314,404
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of \$77,290 and \$23,110	974,330	599,282
Escrow deposits and restricted cash	186,936	229,193
Marketable securities	232,300	185,394
Investments and advances to partially-owned entities, including Alexander's of \$233,502 and \$204,762	742,367	605,300
Due from officers	21,145	21,735
Accounts receivable, net of allowance for doubtful accounts of \$16,276 and \$17,339	154,345	164,524
Notes and mortgage loans receivable	317,475	440,186
Receivable arising from the straight-lining of rents, net of allowance of \$7,333 and \$6,787	335,711	324,266
Other assets	668,572	577,574
Assets related to discontinued operations	119,851	118,659
<b>TOTAL ASSETS</b>	<b>\$ 12,064,138</b>	<b>\$ 11,580,517</b>
	(UNAUDITED) March 31, 2005	December 31, 2004
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Notes and mortgages payable	\$ 4,074,655	\$ 3,974,537
Senior unsecured notes	953,343	962,096
Exchangeable senior debentures	490,000	—
Accounts payable and accrued expenses	395,859	413,923
Officers' compensation payable	41,445	32,506
Deferred credit	106,799	102,387
Other liabilities	111,568	113,402
Liabilities related to discontinued operations	21,056	21,054
Total liabilities	6,194,725	5,619,905
Minority interest, including unitholders in the Operating Partnership	1,798,328	1,947,871
Commitments and contingencies		
Shareholders' equity:		

Preferred shares of beneficial interest: no par value per share; authorized, 70,000,000 shares; Series A: liquidation preference \$50.00 per share; issued and outstanding 312,005 and 320,604 shares	15,603	16,034
Series C: liquidation preference \$25.00 per share; issued and outstanding 4,600,000 shares	—	111,148
Series D-10: liquidation preference \$25.00 per share; issued and outstanding 1,600,000 shares	40,000	40,000
Series E: liquidation preference \$25.00 per share; issued and outstanding 3,000,000 shares	72,248	72,248
Series F: liquidation preference \$25.00 per share; issued and outstanding 6,000,000 shares	144,720	144,771
Series G: liquidation preference \$25.00 per share; issued and outstanding 8,000,000 shares	193,135	193,253
Common shares of beneficial interest: \$.04 par value per share; authorized, 200,000,000 shares; issued and outstanding 129,701,581 and 127,478,903 shares	5,219	5,128
Additional capital	3,357,813	3,257,731
Earnings in excess of distributions	217,570	133,899
	4,046,308	3,974,212
Common shares issued to officer's trust	(65,753)	(65,753)
Deferred compensation shares earned but not yet delivered	67,283	70,727
Deferred compensation shares issued but not yet earned	(13,940)	(9,523)
Accumulated other comprehensive income	41,891	47,782
Due from officers for purchase of common shares of beneficial interest	(4,704)	(4,704)
Total shareholders' equity	4,071,085	4,012,741
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 12,064,138</b>	<b>\$ 11,580,517</b>

See notes to consolidated financial statements.

**VORNADO REALTY TRUST**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**(UNAUDITED)**

(Amounts in thousands, except per share amounts)	For The Three Months Ended March 31,	
	2005	2004
<b>Revenues:</b>		
Property rentals	\$ 336,078	\$ 325,053
Temperature Controlled Logistics	181,225	—
Tenant expense reimbursements	50,346	48,357
Fee and other income	29,829	17,958
Total revenues	597,478	391,368
<b>Expenses:</b>		
Operating	296,917	153,291
Depreciation and amortization	78,106	55,801
General and administrative	40,700	30,570
Total expenses	415,723	239,662
Operating income	181,755	151,706
Income (loss) applicable to Alexander's	25,386	(2,528)
Income from partially-owned entities	9,222	13,113
Interest and other investment income	101,198	9,244
Interest and debt expense (including amortization of deferred financing costs of \$3,021 and \$1,845)	(77,460)	(58,367)
Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate	3,488	776
Minority interest of partially-owned entities	603	3
Income from continuing operations	244,192	113,947
Income from discontinued operations	1,363	247
Income before allocation to limited partners	245,555	114,194
Limited partners' interest in the Operating Partnership	(27,195)	(14,457)
Perpetual preferred unit distributions of the Operating Partnership	(18,541)	(17,298)
Net income	199,819	82,439
Preferred share dividends	(12,386)	(7,982)
<b>NET INCOME applicable to common shares</b>	<b>\$ 187,433</b>	<b>\$ 74,457</b>
<b>INCOME PER COMMON SHARE – BASIC:</b>		
Income from continuing operations	\$ 1.45	\$ .61
Income from discontinued operations	.01	—
Net income per common share	<b>\$ 1.46</b>	<b>\$ .61</b>

**INCOME PER COMMON SHARE – DILUTED:**

Income from continuing operations	\$	1.38	\$	.59
Income from discontinued operations		.01		—
Net income per common share	\$	<u>1.39</u>	\$	<u>.59</u>

DIVIDENDS PER COMMON SHARE	\$	<u>.76</u>	\$	<u>.71</u>
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See notes to consolidated financial statements.

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**VORNADO REALTY TRUST****CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)**

(Amounts in thousands)	For The Three Months Ended March 31,	
	2005	2004
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 199,819	\$ 82,439
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of debt issuance costs)	81,410	58,465
Minority interest of partially-owned entities	(603)	(3)
Allocation of income to limited partners of the Operating Partnership	27,195	14,457
Perpetual preferred unit distributions of the Operating Partnership	16,341	17,298
Net gain on conversion of Sears common shares and derivative position to Sears Holding common shares and derivative position	(86,094)	—
Net gain on mark-to-market of Sears Holding derivative position	(7,899)	—
Net loss on mark-to-market of GMH Communities L.P. warrants	10,178	—
Straight-lining of rental income	(11,405)	(10,376)
Equity in income of partially-owned entities, including Alexander's	(34,608)	(10,585)
Net gains on dispositions of wholly-owned and partially-owned assets other than real estate	(3,488)	(776)
Amortization of below market leases, net	(2,229)	(3,650)
Write-off preferred unit issuance costs	2,200	3,895
Changes in operating assets and liabilities	(41,198)	2,157
Net cash provided by operating activities	<u>149,619</u>	<u>153,321</u>
<b>Cash Flows from Investing Activities:</b>		
Investments in notes and mortgage loans receivable	(152,000)	—
Distributions from partially-owned entities	9,607	147,394
Acquisitions of real estate and other	(8,135)	(54,422)
Proceeds from sale of real estate	1,980	—
Proceeds received upon repayment of notes and mortgage loans receivable	274,711	38,500
Investments in partially-owned entities	(112,066)	(5,102)
Development costs and construction in progress	(32,404)	(24,068)
Additions to real estate	(1,744)	(29,744)
Purchases of marketable securities	(52,322)	—
Cash restricted, primarily mortgage escrows	42,257	(3,944)
Proceeds from sale of securities available for sale	7,671	—
Net cash (used in) provided by investing activities	<u>(22,445)</u>	<u>68,614</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from borrowings	715,000	150,427
Repayments of borrowings	(139,345)	(160,183)
Dividends paid on common shares	(103,747)	(103,692)
Distributions to minority partners	(32,473)	(38,937)
Redemption of perpetual preferred shares and units	(195,000)	(112,467)
Exercise of share options	8,645	20,007
Dividends paid on preferred shares	(5,206)	(6,614)
Net cash provided by (used in) financing activities	<u>247,874</u>	<u>(251,459)</u>
Net increase (decrease) in cash and cash equivalents	375,048	(29,524)
Cash and cash equivalents at beginning of year	599,282	320,542
Cash and cash equivalents at end of year	<u>\$ 974,330</u>	<u>\$ 291,018</u>

See notes to consolidated financial statements.

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**VORNADO REALTY TRUST****CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED**

(Amounts in thousands)	For The Three Months Ended March 31,	
	2005	2004
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash payments for interest (including capitalized interest of \$3,048 and \$1,659)	\$ 69,682	\$ 48,933
<b>Non-Cash Transactions:</b>		
Conversion of Class A Operating Partnership units to common shares	\$ 83,966	\$ 266,189
Financing assumed in acquisitions	15,600	18,500
Unrealized gain on securities available for sale	14,914	3,306

See notes to consolidated financial statements.

## VORNADO REALTY TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

#### 1. Organization

Vornado Realty Trust is a fully-integrated real estate investment trust ("REIT") and conducts its business through Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). All references to the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership. Vornado is the sole general partner of, and owned approximately 88.1% of the common limited partnership interest in, the Operating Partnership at March 31, 2005.

#### 2. Basis of Presentation

The accompanying consolidated financial statements are unaudited. In the opinion of management, 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 have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the Securities and Exchange Commission. The results of operations for the three months ended March 31, 2005, are not necessarily indicative of the operating results for the full year.

The accompanying consolidated financial statements include the accounts of Vornado and its majority-owned subsidiary, the Operating Partnership, as well as certain partially-owned entities in which the Company owns (i) more than 50% unless a partner has shared board and management representation and authority and substantive participation rights on all significant business decisions or (ii) 50% or less when the Company is considered the primary beneficiary and the entity qualifies as a variable interest entity under Financial Accounting Standards Board ("FASB") Interpretation No. 46 (Revised) — Consolidation of Variable Interest Entities ("FIN 46R"). All significant intercompany amounts have been eliminated. Equity interests in partially-owned corporate entities are accounted for under the equity method of accounting when the Company's ownership interest is more than 20% but less than 50%. When partially-owned investments are in partnership form, the 20% threshold for equity method accounting may be reduced. Investments accounted for under the equity method are recorded initially at cost and subsequently adjusted for the Company's share of the net income or loss and cash contributions and distributions to or from these entities. For all other investments, the Company uses the cost method.

Management has made estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Certain prior year balances have been reclassified in order to conform to current year presentation.

## VORNADO REALTY TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED) (UNAUDITED)

#### 3. Recently Issued Accounting Literature

On December 16, 2004, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 153, Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29 ("SFAS No. 153"). The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have "commercial substance." SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not believe that the adoption of SFAS No. 153 on June 15, 2005 will have a material effect on the Company's consolidated financial statements.

On December 16, 2004, the FASB issued SFAS No. 123: (Revised 2004) - Share-Based Payment ("SFAS No. 123R"). SFAS 123R replaces SFAS No. 123, which the Company adopted on January 1, 2003. SFAS No. 123R requires that the compensation cost relating to share-based payment transactions

be recognized in financial statements and measured based on the fair value of the equity or liability instruments issued. SFAS No. 123R is effective as of the first interim or annual reporting period that begins after June 15, 2005. The Company does not believe that the adoption of SFAS No. 123R on June 15, 2005, will have a material effect on the Company's consolidated financial statements.

#### **4. Acquisitions, Dispositions and Financings**

##### **Acquisitions:**

###### *Rockville Town Center*

On March 3, 2005, the Company acquired a 94,078 square foot property located in Rockville, Maryland for \$24,785,000, of which \$9,185,000 was paid in cash and \$15,600,000 was debt assumed. The operations of Rockville Town Center are consolidated into the accounts of the Company from the date of acquisition.

###### *Beverly Connection*

On March 5, 2005, the Company acquired a 50% interest in a venture that owns Beverly Connection, a two-level urban shopping center, containing 322,000 square feet, located in Los Angeles, California for \$10,700,000 in cash. In addition, the Company provided the venture with \$35,000,000 of preferred equity yielding 13.5% for up to a three-year term and a \$59,500,000 first mortgage loan due February 2006 bearing interest at 8.1%. The Company will also provide up to an additional \$35,000,000 of preferred equity, if requested by the venture. The shopping center is anchored by a Ralph's Supermarket, Old Navy and Sports Chalet. The venture plans to redevelop the property and add retail, residential condominiums and assisted living facilities. The redevelopment is subject to government approvals. This investment is accounted for under the equity method of accounting.

###### *Toys "R" Us*

On March 17, 2005, the Company entered into an agreement under which it expects to provide approximately \$450,000,000 of equity in cash for a one-third interest in a joint venture to be owned equally with Bain Capital and Kohlberg Kravis Roberts & Co. to acquire Toys "R" Us, Inc. (NYSE: TOY). The venture has signed a definitive merger agreement to acquire all of the outstanding equity of Toys "R" Us, Inc. for \$26.75 per share in cash or approximately \$6.6 billion, which was approved by the Board of Directors of Toys "R" Us, Inc. The obligation of the Company to fund its equity commitment is conditioned upon the merger closing, which is expected in the third quarter of 2005. The merger is subject to the approval of the stockholders of Toys "R" Us, Inc., and other customary conditions. This investment will be accounted for under the equity method of accounting.

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### **VORNADO REALTY TRUST**

#### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED) (UNAUDITED)**

#### **4. Acquisitions, Dispositions and Financings - continued**

##### *Westbury Retail Condominium*

On March 24, 2005, the Company entered into an agreement to acquire the retail condominium of the former Westbury Hotel for \$113,000,000 in cash. This Manhattan property occupies the entire Madison Avenue block-front between 69<sup>th</sup> and 70<sup>th</sup> Streets, contains approximately 17,000 square feet and is fully occupied by luxury retailers, Cartier, Chloe and Gucci under leases that expire in 2018. The purchase is expected to close in the second quarter of 2005, subject to customary closing conditions.

##### *Investment in Sears, Roebuck and Co. ("Sears")*

As a result of the merger between Sears and Kmart on March 30, 2005, in exchange for 1,176,600 Sears common shares owned, the Company received 370,330 common shares of Sears Holdings Corporation (Nasdaq: SHLD) ("Sears Holding") valued at \$48,143,000 based on the \$130.00 closing share price that day and \$21,797,000 of cash. The Company recognized a net gain of \$27,651,000 in the first quarter of 2005, which is the difference between the aggregate cost basis in the Sears shares of \$42,289,000 and the market value of the total consideration received on March 30, 2005 of \$69,940,000. The Sears Holding shares are recorded as marketable equity securities on the Company's consolidated balance sheet and are classified as "available-for-sale." At March 31, 2005, based on Sears Holding's closing stock price of \$133.17 per share, \$1,174,000 of appreciation in the value of these shares was included in "accumulated other comprehensive income."

In addition, as a result of the merger, pursuant to the terms of the contract the Company's derivative position representing 7,916,900 Sears common shares became a derivative position representing 2,491,819 common shares of Sears Holding valued at \$323,936,000 based on the \$130.00 per share closing price on March 30, 2005, the date of the merger, and \$146,663,000 of cash. As a result, the Company recognized a net gain of approximately \$58,443,000 based on the fair value of the Company's derivative position. On March 31, 2005, the Company recorded additional income of \$7,899,000 from the mark-to-market of the derivative position based on Sears Holding's closing share price of \$133.17.

The Company's aggregate net gain recognized on the owned shares and the derivative position from inception to March 31, 2005 was \$175,723,000, which is after deducting \$13,236,000 for a third-party performance based participation. On April 4, 2005, the Company satisfied the performance based participation through the transfer of 99,393 of its Sears Holding shares. As a result of these transactions, the Company owns 270,937 common shares of Sears Holding and has an economic interest in an additional 2,491,819 common shares through its derivative position.

##### *478-486 Broadway*

On November 2, 2004, the Company acquired a 50% joint venture interest in a 92,500 square foot property located at Broome Street and Broadway in New York City. The Company contributed \$4,462,000 of equity in cash and provided a \$24,000,000 bridge loan with interest at 10% per annum. On April

5, 2005, the Company replaced the bridge loan to the venture with a \$20,000,000 new loan and \$2,000,000 of cash contributed by each of the venture partners. The new loan bears annual interest at 90-day LIBOR plus 3.15% (6.27% as of March 31, 2005) and matures in October 2007.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)  
(UNAUDITED)

4. Acquisitions, Dispositions and Financings - continued

Dispositions:

On April 21, 2005, the Company, through its 85% owned joint venture, sold 400 North LaSalle, a 452-unit high-rise residential tower in Chicago, Illinois, for \$126,000,000. The Company's share of the proceeds was approximately \$107,000,000, resulting in a net gain on sale after closing costs of approximately \$30,000,000. Substantially all of the proceeds from the sale will be reinvested in tax-free "like-kind" exchange investments pursuant to Section 1031.

Net gains on disposition of wholly-owned and partially-owned assets other than depreciable real estate:

(Amounts in thousands)	For The Three Months Ended March 31,	
	2005	2004
Net gains on sale of marketable securities	\$ 2,019	\$ —
Net gains on sale of land parcels	1,469	—
Net gain on sale of residential condominiums	—	776
	<u>\$ 3,488</u>	<u>\$ 776</u>

Financings:

On January 19, 2005, the Company redeemed all of its Series C Cumulative Redeemable Preferred Shares at a redemption price equal to \$25.00 per share or \$115,000,000 plus accrued distributions. In addition, the Company also redeemed \$80,000,000 of Series D-3 Perpetual Preferred Units of the Operating Partnership. The redemption amounts exceeded the carrying amounts by \$6,052,000, representing the original issuance costs. Upon redemption, these issuance costs were recorded as a reduction to earnings in arriving at net income applicable to common shares, in accordance with the July 2003 EITF clarification of Topic D-42.

On March 29, 2005, the Company completed a public offering of \$500,000,000 aggregate principal amount of 3.875% exchangeable senior debentures due 2025 pursuant to an effective registration statement. The notes were sold at 98.0% of their aggregate principal amount. The aggregate net proceeds from this offering, after the underwriters' discount were approximately \$490,000,000. The debentures are exchangeable, under certain circumstances, for common shares of the Company at an initial exchange rate of 10.9589 common shares per \$1,000 of principal amount of debentures. The initial exchange price of \$91.25 represented a premium of 30% to the closing price for the Company's common shares on March 22, 2005 of \$70.25. The Company may elect to settle any exchange right in cash. The debentures permit the Company to increase its common dividend 5% per annum, cumulatively, without an increase to the exchange rate. The debentures are redeemable at the Company's option beginning in 2012 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require the issuer to repurchase their debentures in 2012, 2015 and 2020 and in the event of a change in control. The net proceeds from the offering will be used for working capital, which may include funding the commitment in respect of the acquisition of Toys "R" Us, Inc.

On March 31, 2005, the Company completed a \$225,000,000 refinancing of its 1.4 million square foot New York City office building located at 909 Third Avenue. The loan bears interest at a fixed rate of 5.64% and matures in April 2015. The Company realized net proceeds of approximately \$100,000,000 after repaying the existing floating rate loan on the property and closing costs.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)  
(UNAUDITED)

5. Investments in Partially-Owned Entities

The Company's investments in partially-owned entities and income recognized from such investments are as follows:

Investments:

(Amounts in thousands)	March 31, 2005	December 31, 2004
Alexander's	\$ 233,502	\$ 204,762
Newkirk MLP	162,475	158,656
Beverly Connection (see page 8)	105,460	—
GMH Communities L.P.	83,669	84,782
Partially-Owned Office Buildings	48,497	48,682
Monmouth Mall Joint Venture	29,082	29,351

478-486 Broadway	29,464	29,170
Starwood Ceruzzi Joint Venture	19,435	19,106
Other	30,783	30,791
	<u>\$ 742,367</u>	<u>\$ 605,300</u>

Equity in Income (loss):

(Amounts in thousands)	For The Three Months Ended March 31,	
	2005	2004
<b>Income (loss) applicable to Alexander's:</b>		
33% share of:		
Equity in income before stock appreciation rights compensation expense	\$ 4,774	\$ 2,161
Net gain on sale of condominiums	20,633	—
Stock appreciation rights compensation expense	(7,433)	(9,913)
Equity in net income (loss)	17,974	(7,752) (1)
Interest income	2,374	2,672
Development and guarantee fees	3,261	1,074
Management and leasing fees	1,777	1,478
	<u>\$ 25,386</u>	<u>\$ (2,528)</u>
Temperature Controlled Logistics (2):		
60% share of equity in net income	\$ —	\$ 1,074
Management fees	—	1,378
Other	—	89
	<u>—</u>	<u>2,541</u>
Newkirk MLP:		
22.5% share of equity in income	5,810(3)	7,813(3)
Interest and other income	658	1,266
	<u>6,468</u>	<u>9,079</u>
Partially-Owned Office Buildings	720	523
Other	2,034	970
	<u>\$ 9,222</u>	<u>\$ 13,113</u>

- (1) Includes the Company's \$1,010 share of Alexander's loss on early extinguishment of debt.
- (2) On November 18, 2004, the Company's investment in Americold was consolidated into the accounts of the Company.
- (3) The three months ended March 31, 2005 includes the Company's \$496 share of an impairment loss. The three months ended March 31, 2004 includes the Company's \$1,917 share of net gains on sale of real estate.

## VORNADO REALTY TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED) (UNAUDITED)

#### 5. Investments in Partially-Owned Entities - continued

Below is a summary of the debt of partially owned entities as of March 31, 2005 and December 31, 2004, none of which is guaranteed by the Company.

(Amounts in thousands)	100% of Partially-Owned Entities Debt	
	March 31, 2005	December 31, 2004
<b>Alexander's (33% interest):</b>		
Lexington Avenue mortgage note payable collateralized by the office space, due in February 2014, with interest at 5.33%	\$ 400,000	\$ 400,000
Kings Plaza Regional Shopping Center mortgage note payable, due in June 2011, with interest at 7.46% (prepayable with yield maintenance)	212,877	213,699
Due to Vornado in January 2006, with interest at 9.0% (one-year treasuries plus 6.0% with a 3.0% floor for treasuries) (prepayable without penalty)	124,000	124,000
Rego Park mortgage note payable, due in June 2009, with interest at 7.25%	81,462	81,661
Paramus mortgage note payable, due in October 2011, with interest at 5.92% (prepayable without penalty)	68,000	68,000
Lexington Avenue construction loan payable, due in January 2006, plus two one-year extensions, with interest at 5.35% (LIBOR plus 2.50%)	84,948	65,168
<b>Newkirk MLP (22.5% interest):</b>		
Portion of first mortgages collateralized by the partnership's real estate, due from 2005 to 2024, with a weighted average interest rate of 7.65% at March 31, 2005 (various prepayment terms)	826,901	859,674
<b>GMH Communities L.P. (12.25% interest):</b>		



Mortgage notes payable, collateralized by 27 properties, due from 2005 to 2014, with a weighted average interest rate of 5.41% at March 31, 2005	493,799	359,276
<b>Monmouth Mall (50% interest):</b>		
Mortgage note payable, due in November 2005, with interest at LIBOR plus 2.05% and two one-year extension options 4.53% at March 31, 2005	135,000	135,000
<b>Partially-Owned Office Buildings:</b>		
Kaempfer Properties (2.5% to 10% interests in five partnerships) Mortgage notes payable, collateralized by the partnerships' real estate, due from 2007 to 2031, with a weighted average interest rate of 6.31% at March 31, 2005 (various prepayment terms)	358,329	346,869
Fairfax Square (20% interest) mortgage note payable, due in August 2009, with interest at 7.50%	66,556	67,215
330 Madison Avenue (25% interest) mortgage note payable, due in April 2008, with interest at 6.52% (prepayable with yield maintenance)	60,000	60,000
825 Seventh Avenue (50% interest) mortgage note payable, due in October 2014, with interest at 8.07% (prepayable with yield maintenance)	22,711	23,104
Wells/Kinzie Garage (50% interest) mortgage note payable, due in May 2009, with interest at 7.03%	15,263	15,334
Orleans Hubbard (50% interest) mortgage note payable, due in March 2009, with interest at 7.03%	9,581	9,626

Based on the Company's ownership interest in the partially-owned entities above, the Company's share of the debt of these partially-owned entities was \$686,936,000 and \$669,942,000 as of March 31, 2005 and December 31, 2004, respectively.

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## VORNADO REALTY TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED) (UNAUDITED)

#### 5. Investments in Partially-Owned Entities - continued

##### *Alexander's, Inc.*

The Company owns 33% of the outstanding common stock of Alexander's, Inc. ("Alexander's") at March 31, 2005. The Company manages, leases and develops Alexander's properties pursuant to agreements, which expire in March of each year and are automatically renewable, except for the 731 Lexington Avenue development agreement which provides for a term lasting until substantial completion of the development of the property.

As of March 31, 2005, the Company had a receivable from Alexander's of \$57,534,000 under the agreements discussed above. In addition, Alexander's paid \$188,000 to Building Management Services, a wholly-owned subsidiary of the Company, for cleaning and engineering services at Alexander's Lexington Avenue property.

On January 24, 2005, the condominium offering plan for Alexander's Lexington Avenue property was declared effective by the State of New York and at March 31, 2005, 72 of the condominium units were under sales contract and 18 unit sales closed. In connection therewith, the Company recognized a net gain of \$20,633,000, comprised of (i) the Company's \$13,192,000 share of Alexander's after tax net gain during the three months ended March 31, 2005, using the percentage-of-completion method and (ii) \$7,441,000 of income the Company had previously deferred.

Equity in income (loss) from Alexander's also includes Alexander's stock appreciation rights compensation expense of which the Company's share was \$7,433,000 and \$9,913,000 for the three months ended March 31, 2005 and 2004, based on Alexander's closing stock price of \$241.50 and \$160.00 on March 31, 2005 and 2004, respectively.

##### *GMH Communities L.P.*

As of March 31, 2005, the Company owns 7.3 million limited partnership units, or 12.25% of the limited partnership interest of GMH Communities L.P. ("GMH"), a partnership focused on the student and military housing sectors. The Company accounts for its interest in the partnership units on the equity-method based on its 12.25% ownership interest and right to appoint one of its executive officers to GMH Community Trust's ("GCT") Board of Trustees. GCT is a real estate investment trust that conducts its business through GMH, of which it is the sole general partner.

The Company records its pro rata share of GMH's net income or loss on a one-quarter lag basis as the Company files its financial statements on Form 10-K or 10-Q prior to the time GCT files its financial statements. Equity in income from GMH for the three months ended March 31, 2005, was \$61,000, representing the Company's share of GMH's net income from November 3, 2004 to December 31, 2004.

In addition to the above, the Company holds warrants to purchase an additional 5.7 million limited partnership units of GMH or common shares of GCT at a price of \$8.82 per unit or share through May 6, 2006. Because these warrants are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the warrants at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income" on the Company's consolidated statement of income. In the three months ended March 31, 2005, the Company recognized a loss of \$10,178,000 from the mark-to-market of these warrants, which were valued using a trinomial option pricing model based on GCT's closing stock price on the NYSE of \$11.71 per share on March 31, 2005.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)**  
**(UNAUDITED)**

**6. Notes, Mortgage Loans Receivable and Other Investments**

On January 7, 2005, all of the outstanding General Motors Building loans aggregating \$275,000,000 were repaid. In connection therewith, the Company received a \$4,500,000 prepayment premium and \$1,996,000 of accrued interest and fees through January 14, 2005, which is included in “interest and other income” on the Company’s consolidated statement of income.

On February 3, 2005, the Company made a \$135,000,000 mezzanine loan to Riley Holdco Corp., an entity formed to complete the acquisition of LNR Property Corporation (NYSE: LNR). Riley Holdco Corp. is a wholly-owned subsidiary of LNR Property Holdings, Ltd., which is 75% owned by funds and accounts managed by Cerbus Capital Management, L.P. and its real estate affiliate Blackacre Institutional Capital Management, LLC. The terms of the financings are as follows: (i) \$60,000,000 of a \$325,000,000 mezzanine tranche of a \$2,400,000,000 credit facility which is secured by certain equity interests. This tranche is junior to \$1,900,000,000 of the credit facility, bears interest at LIBOR plus 5.25%, and matures in February 2008 with two one-year extensions; and (ii) \$75,000,000 of \$400,000,000 of unsecured notes which are subordinate to the \$2,400,000,000 credit facility and senior to over \$700,000,000 of equity contributed to finance the acquisition. These notes mature in February 2015, provide for a 1.5% placement fee, and bear interest at 10% for the first five years and 11% for years six through ten.

On February 4, 2005, the Company made a \$17,000,000 mezzanine loan secured by Roney Palace Phase II, in Miami Beach, Florida, a 593-room hotel to be converted to residential condominiums. The loan, which is subordinate to \$141,000,000 of other debt, bears interest at LIBOR plus 9.53% (12.4% as of March 31, 2005), until 25% of the loan is repaid and LIBOR plus 7.48% thereafter until maturity in October 2006. The loan has a one-year extension option.

On April 7, 2005, the Company made a \$108,000,000 mezzanine loan secured by The Sheffield, a mixed-use residential property in Manhattan, containing 845 apartments, 109,000 square feet of office space and 6,900 square feet of retail space. The loan is subordinate to \$378,500,000 of other debt, matures in April 2007 with a one-year extension, provides for a 1% placement fee, and bears interest at LIBOR plus 7.75% (10.6% if set on March 31, 2005).

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## VORNADO REALTY TRUST

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)**  
**(UNAUDITED)**

**7. Identified Intangible Assets, Intangible Liabilities and Goodwill**

The following summarizes the Company’s identified intangible assets, intangible liabilities (deferred credit) and goodwill as of March 31, 2005 and December 31, 2004.

(Amounts in thousands)	March 31, 2005	December 31, 2004
<b>Identified intangible assets (included in other assets):</b>		
Gross amount	\$ 239,299	\$ 238,064
Accumulated amortization	(65,849)	(61,942)
Net	<u>\$ 173,450</u>	<u>\$ 176,122</u>
<b>Goodwill (included in other assets):</b>		
Gross amount	<u>\$ 11,182</u>	<u>\$ 10,425</u>
<b>Identified intangible liabilities (included in deferred credit):</b>		
Gross amount	\$ 121,471	\$ 121,202
Accumulated amortization	(53,887)	(50,938)
Net	<u>\$ 67,584</u>	<u>\$ 70,264</u>

Amortization of acquired below market leases, net of acquired above market leases was \$2,229,000 and \$3,603,000 for the three months ended March 31, 2005 and 2004, respectively. The estimated annual amortization of acquired below market leases, net of acquired above market leases for each of the five succeeding years is as follows:

(Amounts in thousands)	
2005	\$ 8,848,000
2006	6,150,000
2007	5,082,000
2008	4,494,000
2009	3,893,000

The estimated annual amortization of all other identified intangible assets (a component of depreciation and amortization expense) including acquired in-place leases, customer relationships, and third party contracts for each of the five succeeding years is as follows:

(Amounts in thousands)	
2005	\$ 15,990,000
2006	13,741,000
2007	12,910,000

2008	12,859,000
2009	12,258,000

## VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)  
(UNAUDITED)

## 8. Debt

Following is a summary of the Company's debt:

(Amounts in thousands)	Maturity	Interest Rate as at March 31, 2005	Balance as of	
			March 31, 2005	December 31, 2004
<b>Notes and Mortgages Payable:</b>				
<b>Fixed Interest:</b>				
Office:				
NYC Office:				
Two Penn Plaza	02/11	4.97%	\$ 300,000	\$ 300,000
888 Seventh Avenue	02/06	6.63%	105,000	105,000
Eleven Penn Plaza	12/14	5.20%	219,007	219,777
866 UN Plaza	05/07	8.39%	47,820	48,130
909 Third Avenue (1)	04/15	5.64%	225,000	—
CESCR Office:				
Crystal Park 1-5	07/06-08/13	6.66%-8.39%	252,957	253,802
Crystal Gateway 1-4 Crystal Square 5	07/12-01/25	6.75%-7.09%	212,267	212,643
Crystal Square 2, 3 and 4	10/10-11/14	6.82%-7.08%	141,029	141,502
Skyline Place	08/06-12/09	6.60%-6.93%	131,748	132,427
1101 17 <sup>th</sup> , 1140 Connecticut, 1730 M and 1150 17 <sup>th</sup>	08/10	6.74%	94,072	94,409
Courthouse Plaza 1 and 2	01/08	7.05%	77,183	77,427
Reston Executive I, II and III	01/06	6.75%	71,414	71,645
Crystal Gateway N and 1919 S. Eads	11/07	6.77%	55,267	55,524
One Skyline Tower	06/08	7.12%	63,534	63,814
Crystal Malls 1-4	12/11	6.91%	53,771	55,228
1750 Pennsylvania Avenue	06/12	7.26%	48,738	48,876
One Democracy Plaza	05/05	6.75%	26,015	26,121
Retail:				
Cross collateralized mortgages payable on 42 shopping centers	03/10	7.93%	474,550	476,063
Green Acres Mall	02/08	6.75%	145,236	145,920
Las Catalinas Mall	11/13	6.97%	65,427	65,696
Montehiedra Town Center	05/07	8.23%	57,779	57,941
Forest Plaza	05/09	4.00%	20,709	20,924
Lodi Shopping Center	06/14	5.12%	12,157	12,228
386 West Broadway	05/13	5.09%	5,057	5,083
Rockville	12/10	5.52%	15,411	—
Merchandise Mart:				
Washington Design Center	11/11	6.95%	47,347	47,496
Market Square Complex	07/11	7.95%	45,004	45,287
Furniture Plaza	02/13	5.23%	44,129	44,497
Other	10/10-06/28	7.52%-7.71%	18,064	18,156
Temperature Controlled Logistics:				
Cross collateralized mortgages payable on 57 properties	05/08	6.89%	480,098	483,533
Other:				
Industrial Warehouses	10/11	6.95%	48,232	48,385
Total Fixed Interest Notes and Mortgages Payable		6.93%	3,604,022	3,377,534

## VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)  
(UNAUDITED)

## 8. Debt - - continued

(Amounts in thousands)	Maturity	Spread over LIBOR	Interest Rate as at March 31, 2005	Balance as of	
				March 31, 2005	December 31, 2004

**Notes and Mortgages Payable:****Variable Interest:****Office:**

## NYC Office:

770 Broadway	06/06	L+105	3.86%	\$ 170,000	\$ 170,000
909 Third Avenue (1)	(1)	(1)	(1)	—	125,000

## CESCR Office:

Commerce Executive III, IV and V	07/05	L+150	4.19%	41,676	41,796
Commerce Executive III, IV and V B	07/05	L+85	3.54%	10,000	10,000

## Temperature Controlled Logistics:

Cross collateralized mortgages payable on 28 properties	04/09	L+295	5.76%	248,957	250,207
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## Total Variable Interest Notes and Mortgages Payable

4.89% 470,633 597,003

## Total Notes and Mortgages Payable

6.69% \$ 4,074,655 \$ 3,974,537

**Senior Unsecured Notes:**

Senior unsecured notes due 2007 at fair value (accreted carrying amount of \$499,679 and \$499,643)

06/07 L+77 3.60% \$ 504,003 \$ 512,791

Senior unsecured notes due 2009 08/09 4.50% 249,552 249,526

Senior unsecured notes due 2010 12/10 4.75% 199,788 199,779

Total senior unsecured notes 4.07% \$ 953,343 \$ 962,096

**Exchangeable senior debentures due 2025 (2)**

03/25 3.88% \$ 490,000 \$ —

**Unsecured revolving credit facility**

07/06 L+65 N/A \$ — \$ —

**Mortgage Notes Payable related to discontinued operations:**

Arlington Plaza 11/07 6.77% \$ 14,610 \$ 14,691

400 North LaSalle 08/05 L+250 4.75% 5,271 5,187

\$ 19,881 \$ 19,878

- (1) On March 31, 2005, the Company completed a \$225,000 refinancing of 909 Third Avenue. The loan bears interest at a fixed rate of 5.64% and matures in April 2015. The Company retained net proceeds of approximately \$100,000 after repaying the existing floating rate loan on the property and closing costs.
- (2) On March 29, 2005, the Company completed a public offering of \$500,000 aggregate principal amount of 3.875% exchangeable senior debentures due 2025 pursuant to an effective registration statement. The notes were sold at 98.0% of their aggregate principal amount. The aggregate net proceeds from this offering, after the underwriters' discount were approximately \$490,000. The debentures are exchangeable, under certain circumstances, for common shares of the Company at an initial exchange rate of 10.9589 common shares per \$1,000 of principal amount of debentures. The initial exchange price of \$91.25 represented a premium of 30% to the closing price for the Company's common shares on March 22, 2005 of \$70.25. The Company may elect to settle any exchange right in cash. The debentures permit the Company to increase its common dividend 5% per annum, cumulatively, without an increase to the exchange rate. The debentures are redeemable at the Company's option beginning in 2012 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require the issuer to repurchase their debentures in 2012, 2015 and 2020 and in the event of a change in control.

**VORNADO REALTY TRUST****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)  
(UNAUDITED)****9. 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,	
	2005	2004
Tenant cleaning fees	\$ 7,617	\$ 7,384
Management and leasing fees	3,816	6,052
Lease termination fees	14,301	2,606
Other income	4,095	1,916
	<u>\$ 29,829</u>	<u>\$ 17,958</u>

Fee and other income above includes management fee income from Interstate Properties, a related party, of \$183,000 and \$213,000 in the three months ended March 31, 2005 and 2004, respectively. The above table excludes fee income from partially-owned entities which is included in income from partially-owned entities (see Note 5).

## 10. Discontinued Operations

Assets related to discontinued operations at March 31, 2005 and December 31, 2004, consist primarily of the net book value of real estate and represents an office property located in Arlington, Virginia, a retail property located in Vineland, New Jersey and the 400 North LaSalle Residential Complex which was sold on April 19, 2005.

The combined results of operations of the assets related to discontinued operations for the three months ended March 31, 2005 and 2004 include the operating results of the assets related to discontinued operations above, as well as the Company's Palisades Residential Complex sold on June 29, 2004, and Dundalk, Maryland retail property sold on August 12, 2004.

(Amounts in thousands)	For The Three Months Ended March 31,	
	2005	2004
Total revenues	\$ 3,191	\$ 5,801
Total expenses	1,828	5,554
Income from discontinued operations	\$ 1,363	\$ 247

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## VORNADO REALTY TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED) (UNAUDITED)

## 11. 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 utilizes 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. Potential dilutive share equivalents include the Company's Series A convertible preferred shares, employee stock options and restricted share awards, exchangeable senior debentures due 2005 as well as Vornado Realty L.P.'s convertible preferred units.

(Amounts in thousands, except per share amounts)	For The Three Months Ended March 31,	
	2005	2004
<b>Numerator:</b>		
Income from continuing operations (applicable to common shares)	\$ 198,456	\$ 82,192
Income from discontinued operations	1,363	247
Net income	199,819	82,439
Preferred share dividends	(12,386)	(7,982)
Numerator for basic income per share — net income applicable to common shares	187,433	74,457
Impact of assumed conversions:		
Series A convertible preferred share dividends	255	—
Numerator for diluted income per share — net income applicable to common shares	\$ 187,688	\$ 74,457
<b>Denominator:</b>		
Denominator for basic income per share — weighted average shares	128,313	121,588
Effect of dilutive securities:		
Employee stock options and restricted share awards	6,571	5,423
Series A convertible preferred shares	435	—
Denominator for diluted income per share — adjusted weighted average shares and assumed conversions	135,319	127,011
<b>INCOME PER COMMON SHARE — BASIC:</b>		
Income from continuing operations	\$ 1.45	\$ .61
Income from discontinued operations	.01	—
Net income per common share	\$ 1.46	\$ .61
<b>INCOME PER COMMON SHARE — DILUTED:</b>		
Income from continuing operations	\$ 1.38	\$ .59
Income from discontinued operations	.01	—
Net income per common share	\$ 1.39	\$ .59

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## VORNADO REALTY TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED) (UNAUDITED)

## 12. Comprehensive Income

The following table sets forth the Company's comprehensive income:

(Amounts in thousands)	For The Three Months Ended March 31,	
	2005	2004
Net income	\$ 199,819	\$ 82,439
Other comprehensive (loss) income	(5,890)	3,305
Comprehensive income	\$ 193,929	\$ 85,744

## 13. Stock-based Compensation

Prior to 2003, the Company accounted for stock-based compensation using the intrinsic value method (i.e., the difference between the price per share on the grant date and the option exercise price). Accordingly, no stock-based compensation was recognized in the Company's consolidated financial statements for plan awards granted prior to 2003. If compensation cost for grants prior to 2003 were recognized as compensation expense based on the fair value at the grant dates, net income and income per share would have been reduced to the pro-forma amounts below:

(Amounts in thousands, except per share amounts)	For The Three Months Ended March 31,	
	2005	2004
Net income applicable to common shares:		
As reported	\$ 187,433	\$ 74,457
Stock-based compensation cost, net of minority interest	(76)	(911)
Pro forma	\$ 187,357	\$ 73,546
Net income per share applicable to common shares:		
Basic:		
As reported	\$ 1.46	\$ .61
Pro forma	1.46	.60
Diluted:		
As reported	\$ 1.39	\$ .59
Pro forma	1.39	.58

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## VORNADO REALTY TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED) (UNAUDITED)

## 14. Commitments and Contingencies

At March 31, 2005, the Company utilized \$32,149,000 of availability under its revolving credit facility for letters of credit and guarantees.

Each of the Company's 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 the Company.

The Company carries comprehensive liability and all risk property insurance ((i) fire, (ii) flood, (iii) extended coverage, (iv) "acts of terrorism" as defined in the Terrorism Risk Insurance Act of 2002 which expires in 2005 and (v) rental loss insurance) with respect to its assets. In April 2004, the Company renewed its all risk policies through December 31, 2005 and increased its coverage for Acts of Terrorism for each of its New York Office, CESCRO Office, Retail and Merchandise Mart divisions. Below is a summary of the current all risk property insurance and terrorism risk insurance for each of the Company's business segments:

	Coverage Per Occurrence	
	All Risk (1)	Sub-Limits for Acts of Terrorism
New York Office	\$1,400,000,000	\$750,000,000
CESCRO Office	1,400,000,000	750,000,000
Retail	500,000,000	500,000,000
Merchandise Mart	1,400,000,000	750,000,000
Temperature Controlled Logistics	225,000,000	225,000,000

(1) Limited as to terrorism insurance by the sub-limit shown in the adjacent column.

In addition to the coverage above, the Company carries lesser amounts of coverage for terrorist acts not covered by the Terrorism Risk Insurance Act of 2002.

The Company's debt instruments, consisting of mortgage loans secured by its properties (which are generally non-recourse to the Company), its senior unsecured notes due 2007, 2009 and 2010, its exchangeable senior debentures due 2025 and its revolving credit agreement, contain customary covenants requiring the Company to maintain insurance. Although the Company believes that it has adequate insurance coverage under these agreements, the Company 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 the

Company is able to obtain, or if the Terrorism Risk Insurance Act of 2002 is not extended, it could adversely affect the Company's ability to finance and/or refinance its properties and expand its portfolio.

From time to time, the Company has disposed of substantial amounts of real estate to third parties for which, as to certain properties, it remains contingently liable for rent payments or mortgage indebtedness that cannot be quantified by the Company.

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

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)  
(UNAUDITED)

15. Retirement Plans

The following table sets forth the components of net periodic benefit costs:

(Amounts in thousands)	For The Three Months Ended March 31,	
	2005	2004
Service cost	\$ 1,052	\$ —
Interest cost	1,617	304
Expected return on plan assets	(1,637)	(267)
Amortization of prior service cost	84	53
Net periodic benefit cost	\$ 1,116	\$ 90

Employer Contributions

The Company made contributions of \$1,877,000 and \$510,000 to the plan during the three months ended March 31, 2005 and 2004, respectively. The Company anticipates additional contributions of \$6,989,000 to the plans during the remainder of 2005.

16. Related Party Transactions

In November 2004, a class action shareholder derivative lawsuit was brought in the Delaware Court of Chancery against Vornado Operating Company ("Vornado Operating"), its directors and the Company. The lawsuit sought to enjoin the dissolution of Vornado Operating, rescind the previously completed sale of AmeriCold Logistics (owned 60% by Vornado Operating) to Americold Realty Trust (owned 60% by the Company) and damages. In addition, the plaintiffs claimed that the Vornado Operating directors breached their fiduciary duties. On November 24, 2004, a stipulation of settlement was entered into under which the Company agreed to settle the lawsuit with a payment of approximately \$4.5 million or about \$1 per Vornado Operating share or partnership unit before litigation expenses. The Company had accrued the proposed settlement payment and related legal costs as part of "general and administrative expense" in the fourth quarter of 2004. On March 22, 2005, the Court approved the settlement.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)  
(UNAUDITED)

17. Segment Information

Notes to preceding tabular information:

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, 2005 and 2004.

(Amounts in thousands)	For the Three Months Ended March 31, 2005					
	Total	Office (3)	Retail	Merchandise Mart (3)	Temperature Controlled Logistics (4)	Other (5)
Property rentals	\$ 322,444	\$ 209,282	\$ 46,484	\$ 53,352	\$ —	\$ 13,326
Straight-line rents:						
Contractual rent increases	4,584	4,502	1,269	(1,254)(3)	—	67
Amortization of free rent	6,821	4,052	654	2,115	—	—
Amortization of acquired below market leases, net	2,229	1,484	745	—	—	—
Total rentals	336,078	219,320	49,152	54,213	—	13,393
Temperature Controlled Logistics	181,225	—	—	—	181,225	—
Tenant expense reimbursements	50,346	27,562	18,216	3,933	—	635
Fee and other income:						
Tenant cleaning fees	7,617	7,617	—	—	—	—
Management and leasing fees	3,816	3,614	190	12	—	—

Lease termination fees	14,301	330	583	13,388(3)	—	—
Other	4,095	2,776	37	1,282	—	—
Total revenues	597,478	261,219	68,178	72,828	181,225	14,028
Operating expenses	296,917	99,261	22,308	24,614	139,558	11,176
Depreciation and amortization	78,106	40,255	6,876	9,531	18,371	3,073
General and administrative	40,700	8,607	3,799	5,278	8,797	14,219
Total expenses	415,723	148,123	32,983	39,423	166,726	28,468
Operating income (loss)	181,755	113,096	35,195	33,405	14,499	(14,440)
Income applicable to Alexander's	25,386	88	293	—	—	25,005
Income from partially-owned entities	9,222	720	1,536	144	232	6,590
Interest and other investment income	101,198	236	216	48	31	100,667
Interest and debt expense	(77,460)	(33,398)	(14,886)	(2,677)	(13,645)	(12,854)
Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate	3,488	573	896	—	—	2,019
Minority interest of partially-owned entities	603	—	—	52	551	—
Income from continuing operations	244,192	81,315	23,250	30,972	1,668	106,987
Income (loss) from discontinued operations	1,363	573	(64)	—	—	854
Income before allocation to limited partners	245,555	81,888	23,186	30,972	1,668	107,841
Limited partners' interest in the Operating Partnership	(27,195)	—	—	—	—	(27,195)
Perpetual preferred unit distributions of the Operating Partnership	(18,541)	—	—	—	—	(18,541)
Net income	199,819	81,888	23,186	30,972	1,668	62,105
Interest and debt expense (2)	83,091	34,639	16,442	2,902	6,492	22,616
Depreciation and amortization(2)	74,964	41,249	7,655	9,664	8,767	7,629
Income taxes	687	254	—	78	260	95
EBITDA(1)	\$ 358,561	\$ 158,030	\$ 47,283	\$ 43,616	\$ 17,187	\$ 92,445

See footnotes on page 25.

## VORNADO REALTY TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (CONTINUED) (UNAUDITED)

#### 17. Segment Information - continued

(Amounts in thousands)

	For the Three Months Ended March 31, 2004					
	Total	Office (3)	Retail	Merchandise Mart (3)	Temperature Controlled Logistics (4)	Other (5)
Property rentals	\$ 308,631	\$ 205,972	\$ 37,180	\$ 53,103	\$ —	\$ 12,376
Straight-line rents:						
Contractual rent increases	7,604	5,915	820	828	—	41
Amortization of free rent	5,215	1,801	2,011	1,405	—	(2)
Amortization of acquired below market leases, net	3,603	2,614	989	—	—	—
Total rentals	325,053	216,302	41,000	55,336	—	12,415
Tenant expense reimbursements	48,357	26,878	15,385	5,356	—	738
Fee and other income:						
Tenant cleaning fees	7,384	7,384	—	—	—	—
Management and leasing fees	6,052	5,728	293	14	—	17
Other	4,522	3,330	161	1,023	—	8
Total revenues	391,368	259,622	56,839	61,729	—	13,178
Operating expenses	153,291	96,282	18,496	27,155	—	11,358
Depreciation and amortization	55,801	38,294	6,086	8,066	—	3,355
General and administrative	30,570	11,538	2,955	5,047	—	11,030
Total expenses	239,662	146,114	27,537	40,268	—	25,743
Operating income (loss)	151,706	113,508	29,302	21,461	—	(12,565)
Income (loss) applicable to Alexander's	(2,528)	—	173	—	—	(2,701)
Income from partially-owned entities	13,113	523	747	120	2,541	9,182
Interest and other investment income	9,244	243	39	36	—	8,926
Interest and debt expense	(58,367)	(32,792)	(14,991)	(2,900)	—	(7,684)
Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate	776	—	—	—	—	776
Minority interest of partially-owned entities	3	—	—	—	—	3
Income (loss) from continuing operations	113,947	81,482	15,270	18,717	2,541	(4,063)
Income (loss) from discontinued operations	247	121	222	—	—	(96)
Income before allocation to limited partners	114,194	81,603	15,492	18,717	2,541	(4,159)
Limited partners' interest in the Operating Partnership	(14,457)	—	—	—	—	(14,457)



Partnership						
Perpetual preferred unit distributions of the Operating Partnership	(17,298)	—	—	—	—	(17,298)
Net income	82,439	81,603	15,492	18,717	2,541	(35,914)
Interest and debt expense (2)	77,981	34,046	15,744	3,128	7,507	17,556
Depreciation and amortization (2)	71,296	39,319	6,750	8,200	8,688	8,339
Income taxes	81	11	—	—	—	70
EBITDA (1)	\$ 231,797	\$ 154,979	\$ 37,986	\$ 30,045	\$ 18,736	\$ (9,949)

See footnotes on the following page.

## VORNADO REALTY TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (CONTINUED) (UNAUDITED)

#### 17. Segment Information - continued

##### Notes to preceding tabular information:

- EBITDA represents “Earnings Before Interest, Taxes, Depreciation and Amortization”. Management considers EBITDA a supplemental measure for making decisions and assessing the unlevered performance of its 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, management utilizes this measure to make investment decisions as well as to compare the performance of its assets to that of its peers. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.
- Interest and debt expense and depreciation and amortization included in the reconciliation of net income to EBITDA reflects the Company’s share of the interest and debt expense and depreciation and amortization of its partially-owned entities.
- At December 31, 2004, 7 West 34<sup>th</sup> Street, a 440,000 square foot New York office building, was 100% occupied by four tenants, of which Health Insurance Plan of New York (“HIP”) and Fairchild Publications occupied 255,000 and 146,000 square feet, respectively. Effective January 4, 2005, the Company entered into a lease termination agreement with HIP under which HIP made an initial payment of \$13,362 and is anticipated to make annual payments ranging from \$1,000 to \$2,000 over the remaining six years of the HIP lease contingent upon the level of operating expenses of the building in each year. In connection with the termination of the HIP lease, the Company wrote off the \$2,462 balance of the HIP receivable arising from the straight-lining of rent.  
  
In the first quarter of 2005, the Company began redevelopment of this property into a permanent showroom building for the giftware industry. As of January 1, 2005, the Company transferred the operations and financial results of this asset from the New York Office division to the Merchandise Mart division for both the current and prior periods presented.
- Operating results for the three months ended March 31, 2005, reflect the consolidation of the Company’s investment in Americold on November 18, 2004. Previously, this investment was accounted for on the equity method.
- Other EBITDA is comprised of:

(Amounts in thousands)	For the Three Months Ended March 31,	
	2005	2004
<b>Newkirk:</b>		
Equity in income of MLP (A)	\$ 12,220	\$ 15,268
Interest and other income	2,426	2,924
Alexander’s (B)	30,269	1,426
Industrial warehouses	1,138	1,265
Hotel Pennsylvania	2,254	294
GMH Communities L.P.	970	—
Student housing	—	539
	49,277	21,716
Limited partners’ interest in the operating partnership	(27,195)	(14,457)
Perpetual preferred unit distributions of the operating partnership	(18,541)	(17,298)
Corporate general and administrative expenses	(13,154)	(10,022)
Investment income and other	17,318	8,522
Net gain on conversion of Sears common shares and derivative position to Sears Holding common shares and derivative position	86,094	—
Net gain on mark-to-market of Sears Holding derivative position	7,899	—
Net loss on mark-to-market of GMH Communities L.P. warrants	(10,178)	—
<b>Discontinued operations:</b>		
Palisades	—	1,674
400 North LaSalle	925	(84)
	\$ 92,445	\$ (9,949)

- (A) EBITDA for the three months ended March 31, 2005, includes the Company's \$496 share of an impairment loss. EBITDA for the three months ended March 31, 2004, includes the Company's \$1,917 share of net gains on sale of real estate.
- (B) The three months ended March 31, 2005 includes (i) \$20,633 for the Company's share of Alexander's net gains on sale of condominiums and income previously deferred in connection therewith and (ii) the Company's \$7,433 share of Alexander's stock appreciation rights compensation expense. The three months ended March 31, 2004 includes (i) the Company's \$9,913 share of Alexander's stock appreciation rights compensation expense and (ii) the Company's \$1,010 share of Alexander's loss on early extinguishment of debt.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying condensed consolidated balance sheet of Vornado Realty Trust as of March 31, 2005, and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 2005 and 2004. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with 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 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 condensed 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 standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Vornado Realty Trust as of December 31, 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 24, 2005, we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph relating to the Company's application of the provisions of SFAS No. 142 "Goodwill and Other Intangible Assets." In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2004 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  
April 28, 2005

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

Certain statements contained herein 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 involve risks, uncertainties and assumptions. 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," "intends," "plans," "will," "would," "may" or similar expressions in this quarterly report on Form 10-Q. These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include, but are not limited to, those set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 under "Forward Looking Statements" and "Item 1. Business - Certain Factors That May Adversely Affect Our Business and Operations." For these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

Management's Discussion and Analysis of Financial Condition and Results of Operations includes a discussion of the Company's consolidated financial statements for the three months ended March 31, 2005. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

## Overview

The Company owns and operates office, retail and showroom properties with large concentrations of office and retail properties in the New York City metropolitan area and in the Washington, D.C. and Northern Virginia area. In addition, the Company has a 47.6% interest in an entity that owns and

operates 88 cold storage warehouses nationwide.

The Company's business objective is to maximize shareholder value. The Company measures its success in meeting this objective by the total return to its shareholders. Below is a table comparing the Company's performance to the Morgan Stanley REIT Index ("RMS") for the following periods ending March 31, 2005:

	Total Return (1)	
	Vornado	RMS
Three-months	(7.9)%	(7.4)%
One-year	19.8%	8.6%
Three-years	86.4%	59.3%
Five-years	177.4%	140.4%
Ten-years	573.3%	262.0%(2)

(1) Past performance is not necessarily indicative of how the Company will perform in the future.

(2) From inception on July 25, 1995

The Company intends to continue to achieve its business objective by pursuing its investment philosophy and executing its 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, D.C., where we believe there is 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/redeveloping the Company's existing properties to increase returns and maximize value.
- Providing specialty financing to, and opportunistically investing in, real estate and real estate related companies.

The Company competes with a large number of real estate property owners and developers. Principal factors of competition are rent charged, attractiveness of location and quality and breadth of services provided. The Company's success depends upon, among other factors, trends of the national and local economies, 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. Economic growth has been fostered, in part, by low interest rates, Federal tax cuts, and increases in government spending. To the extent economic growth stalls, the Company may experience lower occupancy rates which may lead to lower initial rental rates, higher leasing costs and a corresponding decrease in net income, funds from operations and cash flow. Alternatively, if economic growth is sustained, the Company may experience higher occupancy rates leading to higher initial rents and higher interest rates causing an increase in the Company's weighted average cost of capital and a corresponding effect on net income, funds from operations and cash flow.

## Overview - continued

### 2005 Acquisitions

#### *Rockville Town Center*

On March 3, 2005, the Company acquired a 94,078 square foot property located in Rockville, Maryland for \$24,785,000, of which \$9,185,000 was paid in cash and \$15,600,000 was debt assumed.

#### *Beverly Connection*

On March 5, 2005, the Company acquired a 50% interest in a venture that owns Beverly Connection, a two-level urban shopping center, containing 322,000 square feet, in Los Angeles, California for \$10,700,000 in cash. In addition, the Company provided the venture with \$35,000,000 of preferred equity yielding 13.5% for up to a three-year term and a \$59,500,000 first mortgage loan due February 2006 bearing interest at 8.1%. The Company will also provide up to an additional \$35,000,000 of preferred equity, if requested by the venture. The shopping center is anchored by a Ralph's Supermarket, Old Navy and Sports Chalet. The venture plans to redevelop the property and add retail, residential condominiums and assisted living facilities. The redevelopment is subject to government approvals.

#### *Toys "R" Us*

On March 17, 2005, the Company entered into an agreement under which it expects to provide approximately \$450,000,000 of equity in cash for a one-third interest in a joint venture to be owned equally with Bain Capital and Kohlberg Kravis Roberts & Co. to acquire Toys "R" Us, Inc. (NYSE: TOY). The venture has signed a definitive merger agreement to acquire all of the outstanding equity of Toys "R" Us, Inc. for \$26.75 per share in cash or approximately \$6.6 billion, which was approved by the Board of Directors of Toys "R" Us, Inc. The obligation of the Company to fund its equity commitment is conditioned upon the merger closing, which is expected in the third quarter of 2005. The merger is subject to the approval of the stockholders of Toys "R" Us, Inc., and other customary conditions.

#### *Westbury Retail Condominium*

On March 24, 2005, the Company entered into an agreement and expects to acquire the retail condominium of the former Westbury Hotel for \$113,000,000 in cash. This Manhattan property occupies the entire Madison Avenue block-front between 69th and 70th Streets and contains approximately 17,000 square feet. The space is fully occupied by luxury retailers, Cartier, Chloe and Gucci under leases that expire in 2018. The purchase, which is expected to close in the second quarter of 2005, is subject to customary closing conditions.

As a result of the merger between Sears and Kmart on March 30, 2005, in exchange for 1,176,600 Sears common shares owned, the Company received 370,330 common shares of Sears Holdings Corporation (Nasdaq: SHLD) ("Sears Holding") valued at \$48,143,000 based on the \$130.00 closing share price that day and \$21,797,000 of cash. The Company recognized a net gain of \$27,651,000 in the first quarter of 2005, which is the difference between the aggregate cost basis in the Sears shares of \$42,289,000 and the market value of the total consideration received on March 30, 2005 of \$69,940,000. The Sears Holding shares are recorded as marketable equity securities on the Company's consolidated balance sheet and are classified as "available-for-sale." At March 31, 2005, based on Sears Holding's closing stock price of \$133.17 per share, \$1,174,000 of appreciation in the value of these shares was included in "accumulated other comprehensive income."

In addition, as a result of the merger, pursuant to the terms of the contract the Company's derivative position representing 7,916,900 Sears common shares became a derivative position representing 2,491,819 common shares of Sears Holding valued at \$323,936,000 based on the \$130.00 per share closing price on March 30, 2005, the date of the merger, and \$146,663,000 of cash. As a result, the Company recognized a net gain of approximately \$58,443,000 based on the fair value of the Company's derivative position. On March 31, 2005, the Company recorded additional income of \$7,899,000 from the mark-to-market of the derivative position based on Sears Holding's closing share price of \$133.17.

The Company's aggregate net gain recognized on the owned shares and the derivative position from inception to March 31, 2005 was \$175,723,000, which is after deducting \$13,236,000 for a third-party performance based participation. On April 4, 2005, the Company satisfied the performance based participation through the transfer of 99,393 of its Sears Holding shares. As a result of these transactions, the Company owns 270,937 common shares of Sears Holding and has an economic interest in an additional 2,491,819 common shares through its derivative position.

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## Overview - continued

### 478-486 Broadway

On November 2, 2004, the Company acquired a 50% joint venture interest in a 92,500 square foot property located at Broome Street and Broadway in New York City. The Company contributed \$4,462,000 of equity in cash and provided a \$24,000,000 bridge loan with interest at 10% per annum. On April 5, 2005, the Company replaced the bridge loan to the venture with a \$20,000,000 new loan and \$2,000,000 of cash contributed by each of the venture partners. The new loan bears annual interest at 90-day LIBOR plus 3.15% (6.27% as of March 31, 2005) and matures in October 2007.

### 2005 Mezzanine Loan Activity:

On January 7, 2005, all of the outstanding General Motors Building loans aggregating \$275,000,000 were repaid. In connection therewith, the Company received a \$4,500,000 prepayment premium and \$1,996,000 of accrued interest and fees through January 14, 2005, which is included in "interest and other income" on the Company's consolidated statement of income.

On February 3, 2005, the Company made a \$135,000,000 mezzanine loan to Riley Holdco Corp., an entity formed to complete the acquisition of LNR Property Corporation (NYSE: LNR). Riley Holdco Corp. is a wholly-owned subsidiary of LNR Property Holdings, Ltd., which is 75% owned by funds and accounts managed by Cerbus Capital Management, L.P. and its real estate affiliate Blackacre Institutional Capital Management, LLC. The terms of the financings are as follows: (i) \$60,000,000 of a \$325,000,000 mezzanine tranche of a \$2,400,000,000 credit facility which is secured by certain equity interests. This tranche is junior to \$1,900,000,000 of the credit facility, bears interest at LIBOR plus 5.25%, and matures in February 2008 with two one-year extensions; and (ii) \$75,000,000 of \$400,000,000 of unsecured notes which are subordinate to the \$2,400,000,000 credit facility and senior to over \$700,000,000 of equity contributed to finance the acquisition. These notes mature in February 2015, provide for a 1.5% placement fee, and bear interest at 10% for the first five years and 11% for years six through ten.

On February 4, 2005, the Company made a \$17,000,000 mezzanine loan secured by Roney Palace Phase II, in Miami Beach, Florida, a 593-room hotel to be converted to residential condominiums. The loan, which is subordinate to \$141,000,000 of other debt, bears interest at LIBOR plus 9.53% (12.4% as of March 31, 2005), until 25% of the loan is repaid and LIBOR plus 7.48% thereafter until maturity in October 2006. The loan has a one-year extension option.

On April 7, 2005, the Company made a \$108,000,000 mezzanine loan secured by The Sheffield, a mixed-use residential property in Manhattan, containing 845 apartments, 109,000 square feet of office space and 6,900 square feet of retail space. The loan is subordinate to \$378,500,000 of other debt, matures in April 2007 with a one-year extension, provides for a 1% placement fee, and bears interest at LIBOR plus 7.75% (10.6% if set on March 31, 2005).

### 2005 Dispositions:

On April 21, 2005, the Company, through its 85% owned joint venture, sold 400 North LaSalle, a 452-unit high-rise residential tower in Chicago, Illinois, for \$126,000,000. The Company's net gain on sale after closing costs was approximately \$30,000,000.

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## Overview - continued

### 2005 Financings:

On January 19, 2005, the Company redeemed all of its Series C Cumulative Redeemable Preferred Shares at a redemption price equal to \$25.00 per share or \$115,000,000 plus accrued distributions. In addition, the Company also redeemed \$80,000,000 of Series D-3 Perpetual Preferred Units of the Operating Partnership. The redemption amounts exceeded the carrying amounts by \$6,052,000, representing the original issuance costs. Upon redemption, these issuance costs were recorded as a reduction to earnings in arriving at net income applicable to common shares.

On March 29, 2005, the Company completed a public offering of \$500,000,000 aggregate principal amount of 3.875% exchangeable senior debentures due 2025 pursuant to an effective registration statement. The notes were sold at 98.0% of their aggregate principal amount. The aggregate net proceeds from this offering, after the underwriters' discount were approximately \$490,000,000. The debentures are exchangeable, under certain circumstances, for common shares of the Company at an initial exchange rate of 10.9589 common shares per \$1,000 of principal amount of debentures. The initial exchange price of \$91.25 represented a premium of 30% to the closing price for the Company's common shares on March 22, 2005 of \$70.25. The Company may elect to settle any exchange right in cash. The debentures permit the Company to increase its common dividend 5% per annum, cumulatively, without an increase to the exchange rate. The debentures are redeemable at the Company's option beginning in 2012 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require the issuer to repurchase their debentures in 2012, 2015 and 2020 and in the event of a change in control. The net proceeds from the offering will be used for working capital, which may include funding the commitment in respect of the acquisition of Toys "R" Us, Inc.

On March 31, 2005, the Company completed a \$225,000,000 refinancing of its 1.4 million square foot New York City office building located at 909 Third Avenue. The loan bears interest at a fixed rate of 5.64% and matures in April 2015. The Company realized net proceeds of approximately \$100,000,000 after repaying the existing floating rate loan on the property and closing costs.

## Overview (continued) - Leasing Activity

The following table sets forth certain information for the properties the Company owns directly or indirectly, including leasing activity. Tenant improvements and leasing commissions are presented below based on square feet leased during the period and on a per annum basis based on the weighted average term of the leases.

(Square feet and cubic feet in thousands)	Office		Retail	Merchandise Mart		Temperature Controlled Logistics
	New York City	CESCR		Office	Showroom	
<b>As of March 31, 2005:</b>						
Square feet/ cubic feet	12,910	14,224	14,395	3,022	5,812	17,378/438,900
Number of properties	19	66	96	9	9	87
Occupancy rate	94.8%	90.3%(3)	94.0%	95.6%	95.9%	71.4%
<b>Leasing Activity:</b>						
<b>Quarter ended March 31, 2005:</b>						
Square feet	269	358	210	84	377	
Initial rent (1)	\$ 44.16	\$ 28.20	\$ 19.93	\$ 23.29	\$ 27.09	
Weighted average lease term (years)	7.6	5.5	9.3	9.1	5.3	
Rent per square foot on relet space:						
Square feet	204	248	154	84	377	
Initial rent (1)	\$ 43.94	\$ 29.12	\$ 21.83	\$ 23.29	\$ 27.09	
Prior escalated rent	\$ 43.43	\$ 31.53	\$ 19.63	\$ 30.30	\$ 25.87	
Percentage increase (decrease)	1.2%	(7.6)%	11.2%	(23.1)%	4.7%	
Rent per square foot on space previously vacant:						
Square feet	65	110	56	—	—	
Initial rent (1)	\$ 44.85	\$ 26.11	\$ 14.64	\$ —	\$ —	
Tenant improvements and leasing commissions						
per square foot	\$ 38.02	\$ 16.51	\$ 10.27	\$ 49.51	\$ 7.34	
per square foot per annum (2)	\$ 5.11	\$ 3.00	\$ 1.10	\$ 5.42	\$ 1.39	
<b>As of December 31, 2004:</b>						
Square feet/ cubic feet	12,989	14,216	14,210	2,837	5,589	17,563/443,700
Number of properties	19	66	94	8	8	88
Occupancy rate	95.5%	91.4%(3)	93.9%	96.0%	97.6%	76.9%
<b>As of March 31, 2004:</b>						
Square feet/ cubic feet	12,836	13,963	13,116	2,821	5,623	17,476/440,700
Number of properties	19	63	63	9	9	87
Occupancy rate	95.4%	93.3%(3)	93.7%	92.1%	95.0%	67.5%

(1) Most leases include periodic step-ups in rent, which are not reflected in the initial rent per square foot leased.

(2) May not be indicative of the amounts for the full year.

(3) Excludes Crystal Plaza 3 and 4 taken out of service for redevelopment in the fourth quarter of 2004 and Crystal Plaza 2 taken out of service in the first quarter of 2005.

Square feet leased in the three months ended March 31, 2005 does not include 34,375 square feet of retail space included in the NYC office properties which was leased at an initial rent of \$65.46 per square foot.

### Critical Accounting Policies

A summary of the Company's critical accounting policies is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 in Management's Discussion and Analysis of Financial Condition and Results of Operations. There have been no significant changes to those policies during the first quarter of 2005.

## Reconciliation of Net Income and EBITDA

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, 2005 and 2004.

(Amounts in thousands)	For the Three Months Ended March 31, 2005					
	Total	Office (3)	Retail	Merchandise Mart (3)	Temperature Controlled Logistics (4)	Other (5)
Property rentals	\$ 322,444	\$ 209,282	\$ 46,484	\$ 53,352	\$ —	\$ 13,326
Straight-line rents:						
Contractual rent increases	4,584	4,502	1,269	(1,254)(3)	—	67
Amortization of free rent	6,821	4,052	654	2,115	—	—
Amortization of acquired below market leases, net	2,229	1,484	745	—	—	—
Total rentals	336,078	219,320	49,152	54,213	—	13,393
Temperature Controlled Logistics	181,225	—	—	—	181,225	—
Tenant expense reimbursements	50,346	27,562	18,216	3,933	—	635
Fee and other income:						
Tenant cleaning fees	7,617	7,617	—	—	—	—
Management and leasing fees	3,816	3,614	190	12	—	—
Lease termination fees	14,301	330	583	13,388(3)	—	—
Other	4,095	2,776	37	1,282	—	—
Total revenues	597,478	261,219	68,178	72,828	181,225	14,028
Operating expenses	296,917	99,261	22,308	24,614	139,558	11,176
Depreciation and amortization	78,106	40,255	6,876	9,531	18,371	3,073
General and administrative	40,700	8,607	3,799	5,278	8,797	14,219
Total expenses	415,723	148,123	32,983	39,423	166,726	28,468
Operating income (loss)	181,755	113,096	35,195	33,405	14,499	(14,440)
Income applicable to Alexander's	25,386	88	293	—	—	25,005
Income from partially-owned entities	9,222	720	1,536	144	232	6,590
Interest and other investment income	101,198	236	216	48	31	100,667
Interest and debt expense	(77,460)	(33,398)	(14,886)	(2,677)	(13,645)	(12,854)
Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate	3,488	573	896	—	—	2,019
Minority interest of partially-owned entities	603	—	—	52	551	—
Income from continuing operations	244,192	81,315	23,250	30,972	1,668	106,987
Income (loss) from discontinued operations	1,363	573	(64)	—	—	854
Income before allocation to limited partners	245,555	81,888	23,186	30,972	1,668	107,841
Limited partners' interest in the Operating Partnership	(27,195)	—	—	—	—	(27,195)
Perpetual preferred unit distributions of the Operating Partnership	(18,541)	—	—	—	—	(18,541)
Net income	199,819	81,888	23,186	30,972	1,668	62,105
Interest and debt expense (2)	83,091	34,639	16,442	2,902	6,492	22,616
Depreciation and amortization(2)	74,964	41,249	7,655	9,664	8,767	7,629
Income taxes	687	254	—	78	260	95
EBITDA(1)	\$ 358,561	\$ 158,030	\$ 47,283	\$ 43,616	\$ 17,187	\$ 92,445

See footnotes on page 35.

(Amounts in thousands)	For the Three Months Ended March 31, 2004					
	Total	Office (3)	Retail	Merchandise Mart (3)	Temperature Controlled Logistics (4)	Other (5)
Property rentals	\$ 308,631	\$ 205,972	\$ 37,180	\$ 53,103	\$ —	\$ 12,376
Straight-line rents:						
Contractual rent increases	7,604	5,915	820	828	—	41
Amortization of free rent	5,215	1,801	2,011	1,405	—	(2)
Amortization of acquired below market leases, net	3,603	2,614	989	—	—	—
Total rentals	325,053	216,302	41,000	55,336	—	12,415
Tenant expense reimbursements	48,357	26,878	15,385	5,356	—	738
Fee and other income:						
Tenant cleaning fees	7,384	7,384	—	—	—	—
Management and leasing fees	6,052	5,728	293	14	—	17
Other	4,522	3,330	161	1,023	—	8
Total revenues	391,368	259,622	56,839	61,729	—	13,178

Operating expenses	153,291	96,282	18,496	27,155	—	11,358
Depreciation and amortization	55,801	38,294	6,086	8,066	—	3,355
General and administrative	30,570	11,538	2,955	5,047	—	11,030
Total expenses	239,662	146,114	27,537	40,268	—	25,743
Operating income (loss)	151,706	113,508	29,302	21,461	—	(12,565)
Income (loss) applicable to Alexander's	(2,528)	—	173	—	—	(2,701)
Income from partially-owned entities	13,113	523	747	120	2,541	9,182
Interest and other investment income	9,244	243	39	36	—	8,926
Interest and debt expense	(58,367)	(32,792)	(14,991)	(2,900)	—	(7,684)
Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate	776	—	—	—	—	776
Minority interest of partially-owned entities	3	—	—	—	—	3
Income from continuing operations	113,947	81,482	15,270	18,717	2,541	(4,063)
Income (loss) from discontinued operations	247	121	222	—	—	(96)
Income before allocation to limited partners	114,194	81,603	15,492	18,717	2,541	(4,159)
Limited partners' interest in the Operating Partnership	(14,457)	—	—	—	—	(14,457)
Perpetual preferred unit distributions of the Operating Partnership	(17,298)	—	—	—	—	(17,298)
Net income	82,439	81,603	15,492	18,717	2,541	(35,914)
Interest and debt expense (2)	77,981	34,046	15,744	3,128	7,507	17,556
Depreciation and amortization (2)	71,296	39,319	6,750	8,200	8,688	8,339
Income taxes	81	11	—	—	—	70
EBITDA (1)	\$ 231,797	\$ 154,979	\$ 37,986	\$ 30,045	\$ 18,736	\$ (9,949)

See following page for footnotes.

**Notes:**

- EBITDA represents "Earnings Before Interest, Taxes, Depreciation and Amortization". Management considers EBITDA a supplemental measure for making decisions and assessing the unlevered performance of its 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, management utilizes this measure to make investment decisions as well as to compare the performance of its assets to that of its peers. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.
- Interest and debt expense and depreciation and amortization included in the reconciliation of net income to EBITDA reflects the Company's share of the interest and debt expense and depreciation and amortization of its partially-owned entities.
- At December 31, 2004, 7 West 34<sup>th</sup> Street, a 440,000 square foot New York office building, was 100% occupied by four tenants, of which Health Insurance Plan of New York ("HIP") and Fairchild Publications occupied 255,000 and 146,000 square feet, respectively. Effective January 4, 2005, the Company entered into a lease termination agreement with HIP under which HIP made an initial payment of \$13,362 and is anticipated to make annual payments ranging from \$1,000 to \$2,000 over the remaining six years of the HIP lease contingent upon the level of operating expenses of the building in each year. In connection with the termination of the HIP lease, the Company wrote off the \$2,462 balance of the HIP receivable arising from the straight-lining of rent.  
  
In the first quarter of 2005, the Company began redevelopment of this property into a permanent showroom building for the giftware industry. As of January 1, 2005, the Company transferred the operations and financial results of this asset from the New York Office division to the Merchandise Mart division for both the current and prior periods presented.
- Operating results for the three months ended March 31, 2005, reflect the consolidation of the Company's investment in Americold on November 18, 2004. Previously this investment was accounted for under the equity method.
- Other EBITDA is comprised of:

(Amounts in thousands)	For the Three Months Ended March 31,	
	2005	2004
<b>Newkirk:</b>		
Equity in income of MLP (A)	\$ 12,220	\$ 15,268
Interest and other income	2,426	2,924
Alexander's (B)	30,269	1,426
Industrial warehouses	1,138	1,265
Hotel Pennsylvania (C)	2,254	294
GMH Communities L.P.	970	—
Student housing	—	539
	49,277	21,716
Limited partners' interest in the operating partnership	(27,195)	(14,457)
Perpetual preferred unit distributions of the operating partnership	(18,541)	(17,298)
Corporate general and administrative expenses	(13,154)	(10,022)
Investment income and other	17,318	8,522

Net gain on conversion of Sears common shares and derivative position to Sears Holding common shares and derivative position	86,094	—
Net gain on mark-to-market of Sears Holding derivative position	7,899	—
Net loss on mark-to-market of GMH Communities L.P. warrants	(10,178)	—
Discontinued operations:		
Palisades	—	1,674
400 North LaSalle	925	(84)
	<u>\$ 92,445</u>	<u>\$ (9,949)</u>

- (A) EBITDA for the three months ended March 31, 2005, includes the Company's \$496 share of an impairment loss. EBITDA for the three months ended March 31, 2004, includes the Company's \$1,917 share of net gains on sale of real estate.
- (B) The three months ended March 31, 2005 includes (i) \$20,633 for the Company's share of Alexander's net gains on sale of condominiums and income previously deferred in connection therewith and (ii) the Company's \$7,433 share of Alexander's stock appreciation rights compensation expense. The three months ended March 31, 2004 includes (i) the Company's \$9,913 share of Alexander's stock appreciation rights compensation expense and (ii) the Company's \$1,010 share of Alexander's loss on early extinguishment of debt.
- (C) Average occupancy and revenue per available room ("REVPAR") were 75.3% and \$71.81 for the three months ended March 31, 2005 compared to 64.2% and \$55.26 for the prior year's quarter.

## Results of Operations

### Revenues

The Company's revenues, which consist of property rentals, tenant expense reimbursements, Temperature Controlled Logistics revenues, hotel revenues, trade shows revenues, amortization of acquired below market leases net of above market leases pursuant to SFAS No. 141 and 142, and fee income, were \$597,478,000 for the quarter ended March 31, 2005, compared to \$391,368,000 in the prior year's quarter, an increase of \$206,110,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)	Date of Acquisition	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Property rentals:							
Increase (decrease) due to:							
Acquisitions:							
So. California supermarkets	July 2004	\$ 1,304	\$ —	\$ 1,304	\$ —	\$ —	\$ —
Marriot Hotel	July 2004	973	973	—	—	—	—
25 W. 14 <sup>th</sup> Street	March 2004	632	—	632	—	—	—
Burnside Plaza Shopping Center	December 2004	509	—	509	—	—	—
Lodi Shopping Center	November 2004	482	—	482	—	—	—
386 and 387 W. Broadway	December 2004	429	—	429	—	—	—
99-01 Queens Boulevard	August 2004	393	—	393	—	—	—
Forest Plaza Shopping Center	February 2004	254	—	254	—	—	—
Rockville Town Center	March 2005	181	—	181	—	—	—
Development placed into service: 4 Union Square South		2,874	—	2,874	—	—	—
Amortization of acquired below market leases, net		(1,374)	(1,130)	(244)	—	—	—
Operations:							
Hotel activity		2,341	—	—	—	—	2,341(1)
Trade shows activity		(805)	—	—	(805)	—	—
Leasing activity		2,832	3,175	1,338	(318)(2)	—	(1,363)
Total increase (decrease) in property rentals		<u>11,025</u>	<u>3,018</u>	<u>8,152</u>	<u>(1,123)</u>	<u>—</u>	<u>978</u>
Tenant expense reimbursements:							
Increase (decrease) due to:							
Acquisitions		903	—	903	—	—	—
Operations		1,086	684	1,928	(1,423)(3)	—	(103)
Total increase (decrease) in tenant expense reimbursements		<u>1,989</u>	<u>684</u>	<u>2,831</u>	<u>(1,423)</u>	<u>—</u>	<u>(103)</u>
Temperature Controlled Logistics (effect of consolidating Americold from November 18, 2004 vs. equity method prior)		181,225	—	—	—	181,225	—



Fee and other income:						
Increase (decrease) in:						
Lease cancellation fee income	11,693	(2,133)	459	13,367(4)	—	—
BMS Cleaning fees	233	233	—	—	—	—
Management and leasing fees	(2,219)	(2,114)(5)	(103)	(2)	—	—
Other	2,164	1,909(6)	—	280	—	(25)
Total increase (decrease) in fee and other income	11,871	(2,105)	356	13,645	—	(25)
Total increase in revenues	\$ 206,110	\$ 1,597	\$ 11,339	\$ 11,099	\$ 181,225	\$ 850

See notes on following page.

See "Overview - Leasing Activity" on page 32 for further details and corresponding changes in occupancy.

**Notes to preceding tabular information:**

- Average occupancy and REVPAR were 75.3% and \$71.81 for the year ended March 31, 2005 compared to 64.2% and \$55.26 for the prior year.
- Reflects a \$2,462 write-off of HIP's receivable arising from the straight-lining of rent upon termination of the lease during the three months ended March 31, 2005 partially offset by higher rents on space relet during 2004, including leases with WPP Group (228,000 square feet) in the third quarter of 2004 and the Chicago Sun Times (127,000 square feet) in the second quarter of 2004.
- Primarily due to lower real estate tax reimbursements from tenants based on the finalization of 2003 real estate taxes in September 2004.
- Reflects lease termination income of \$13,362,000 received from HIP at 7 West 34<sup>th</sup> Street in January 2005. See Note 3 on page 35 for details.
- Reflects \$1,900 of non-recurring Washington D.C. commission income in the first quarter of 2004.
- Primarily due to \$1,250 of income received to terminate a CESC road improvement requirement during the first quarter of 2005.

Expenses

The Company's expenses were \$415,723,000 for the year ended March 31, 2005, compared to \$239,662,000 in the prior year's quarter, an increase of \$176,061,000.

Below are the details of the increase (decrease) by segment:

(Amounts in thousands)	Date of Acquisition	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
<b>Operating:</b>							
Increase (decrease) due to:							
Acquisitions:							
Burnside Plaza Shopping Center	December 2004	\$ 270	\$ —	\$ 270	\$ —	\$ —	\$ —
Lodi Shopping Center	November 2004	140	—	140	—	—	—
Forest Plaza Shopping Center	February 2004	122	—	122	—	—	—
99-01 Queens Boulevard	August 2004	91	—	91	—	—	—
25 W. 14 <sup>th</sup> Street	March 2004	87	—	87	—	—	—
386 and 387 W. Broadway	December 2004	45	—	45	—	—	—
Rockville Town Center	March 2005	16	—	16	—	—	—
Development placed into service:							
4 Union Square South		772	—	772	—	—	—
Americold - effect of consolidating Americold from November 18, 2004 vs. equity method accounting prior		139,558	—	—	—	139,558	—
Hotel activity		324	—	—	—	—	324
Trade shows activity		(973)	—	—	(973)	—	—
Operations		3,174	2,979(1)	2,269(2)	(1,568)(3)	—	(506)

Total increase (decrease) in operating expenses	143,626	2,979	3,812	(2,541)	139,558	(182)
<b>Depreciation and amortization:</b>						
<b>Increase (decrease) due to:</b>						
Acquisitions/Development	1,496	318	1,178	—	—	—
Americold - effect of consolidating Americold from November 18, 2004 vs. equity method accounting prior	18,371	—	—	—	18,371	—
Operations	2,438(4)	1,643	(388)	1,465	—	(282)
<b>Total increase (decrease) in depreciation and amortization</b>	<b>22,305</b>	<b>1,961</b>	<b>790</b>	<b>1,465</b>	<b>18,371</b>	<b>(282)</b>
<b>General and administrative:</b>						
<b>Increase (decrease) due to:</b>						
Americold - effect of consolidating Americold from November 18, 2004 vs. equity method accounting prior	8,797	—	—	—	8,797	—
Operations	1,333	(2,931)(5)	844(6)	231	—	3,189(7)
<b>Total increase (decrease) in general and administrative</b>	<b>10,130</b>	<b>(2,931)</b>	<b>844</b>	<b>231</b>	<b>8,797</b>	<b>3,189</b>
<b>Total increase (decrease) in expenses</b>	<b>\$ 176,061</b>	<b>\$ 2,009</b>	<b>\$ 5,446</b>	<b>\$ (845)</b>	<b>\$ 166,726</b>	<b>\$ 2,725</b>

See notes on following page.

**Notes to preceding tabular information:**

- (1) Results primarily from a \$1,886 increase in real estate taxes and a \$873 increase due to higher repairs and maintenance in the New York Office portfolio.
- (2) Results primarily from a bad debt recovery in 2004 of \$840 related to former Bradlees' leases.
- (3) Primarily due to lower real estate taxes based on the finalization of 2003 taxes in September 2004.
- (4) Primarily due to additions to buildings and improvements during 2004.
- (5) Primarily due to a \$1,087 savings in payroll and fringes over the prior quarter as a result of exiting the CESCO third party representation business, of which \$697 relates to 2004 severance.
- (6) Primarily relates to an increase in payroll and fringes of \$595.
- (7) The increase in general and administrative expenses results primarily from an increase in payroll and fringe benefits of \$1,981 and an increase in professional fees of \$365.

Income Applicable to Alexander's

Income applicable to Alexander's (loan interest income, management, leasing, development and commitment fees, and equity in income) was \$12,186,000 before the Company's \$20,633,000 share of net gain on sale of condominiums and \$7,433,000 share of Alexander's stock appreciation rights compensation ("SAR") expense or \$25,386,000, net in the quarter ended March 31, 2005, compared to income of \$7,385,000 before the Company's \$9,913,000 share of SAR expense or \$2,528,000, net in the prior year's quarter. This net increase of \$27,914,000 resulted primarily from (i) a net gain of \$20,633,000 related to the sale of condominiums at Alexander's 731 Lexington Avenue property and (ii) a decrease of \$2,480,000 for the Company's share of Alexander's SAR expense.

Income from Partially-Owned Entities

Below is the detail of income from partially-owned entities by investment as well as the increase (decrease) in income from partially-owned entities for the quarters ended March 31, 2005 and 2004:

(Amounts in thousands)  
For the three months ended:

	Total	Monmouth Mall	Temperature Controlled Logistics (1)	Newkirk MLP	Starwood Ceruzzi Joint Venture	Partially-Owned Office Buildings	Other
<b>March 31, 2005:</b>							
Revenues		\$ 6,262		\$ 59,639	\$ 471	\$ 31,651	
Expenses:							
Operating, general and administrative		(2,667)		(1,549)	(733)	(13,654)	
Depreciation		(1,162)		(8,617)	(100)	(5,563)	
Interest expense		(1,846)		(18,123)	—	(8,124)	
Other, net		(791)		(4,158)	—	1,809	
Net (loss) income		\$ (204)		\$ 27,192	\$ (362)	\$ 6,119	
Company's interest		50%		22.5%	80%	12.3%	
Equity in net (loss) income	\$ 6,241	\$ (102)		\$ 5,810(2)	\$ (290)	\$ 753	\$ 70
Interest and other income	2,716	823		658	—	(33)	1,268
Fee income	265	265		—	—	—	—
Income (loss) from partially-owned entities	\$ 9,222	\$ 986	N/A	\$ 6,468	\$ (290)	\$ 720	\$ 1,338
<b>March 31, 2004:</b>							
Revenues	\$ 5,930		\$ 29,631	\$ 60,509	\$ 328	\$ 29,627	
Expenses:							
Operating, general and administrative		(2,165)	(1,952)	(2,392)	(810)	(12,073)	
Depreciation		(1,047)	(14,121)	(12,344)	(176)	(4,793)	
Interest expense		(1,506)	(12,512)	(20,725)	—	(8,140)	
Other, net		(810)	744	8,007	—	(1,884)	
Net income (loss)		\$ 402	\$ 1,790	\$ 33,055	\$ (658)	\$ 2,737	
Company's interest		50%	60%	22.3%	80%	23%	
Equity in net income (loss)	\$ 9,423	\$ 201	\$ 1,074	\$ 7,813	\$ (527)	\$ 639	\$ 223
Interest and other income	2,062	823	89	1,266	—	(116)	—
Fee income	1,628	250	1,378	—	—	—	—
Income (loss) from partially-owned entities	\$ 13,113	\$ 1,274	\$ 2,541	\$ 9,079	\$ (527)	\$ 523	\$ 223
<b>(Decrease) increase in income of partially-owned entities</b>	<b>\$ (3,891)</b>	<b>\$ (288)</b>	<b>\$ (2,541)</b>	<b>\$ (2,611)(3)</b>	<b>\$ 237</b>	<b>\$ 197</b>	<b>\$ 1,115</b>

- (1) On November 18, 2004, the Company's investment in Americold was consolidated into the accounts of the Company.  
(2) Includes the Company's \$496 share of an impairment loss.  
(3) Primarily reflects a reduction of Newkirk MLP income as a result of the sale of assets during 2004 (primarily 25 Stater Brothers supermarkets).

#### Interest and Other Investment Income

Interest and other investment income (interest income on mortgage loans receivable, other interest income and dividend income) was \$101,198,000 for the quarter ended March 31, 2005, compared to \$9,244,000 in the prior year's quarter, an increase of \$91,954,000. This increase resulted primarily from:

(Amounts in thousands)	
Net gain on conversion of Sears common shares and derivative position to Sears Holding common shares and derivative position, after a \$7,265 third-party performance based participation	\$ 86,094
Expense from the mark-to-market of 5.7 million GMH warrants at March 31, 2005	(10,178)
Income from the mark-to-market of Sears Holding derivative position	7,899
Prepayment penalty recognized on repayment of the General Motors building mezzanine loans in January 2005	4,500
Interest income on the Company's mezzanine loans to Extended Stay America in May 2004, Charles Square in November 2004 and Riley Holding Corp in February 2005	3,639
	<u>\$ 91,954</u>

#### Interest and Debt Expense

Interest and debt expense was \$77,460,000 for the three months ended March 31, 2005, compared to \$58,367,000 in the prior year's quarter, an increase of \$19,093,000. This increase resulted primarily from (i) \$13,645,000 resulting from the consolidation of the Company's investment in Americold Realty Trust beginning on November 18, 2004 versus accounting for the investment on the equity method prior and (ii) \$5,182,000 from an increase in the weighted average interest rate on variable rate of debt of 168 basis points.

#### Net gains on Disposition of Wholly-Owned and Partially-Owned Assets Other than Depreciable Real Estate

For The Three Months  
Ended March 31,

2005                      2004

(Amounts in thousands)

Net gains on sale of marketable securities	\$	2,019	\$	—
Net gains on sale of land parcels		1,469		—
Net gain on sale of residential condominiums		—		776
	\$	<u>3,488</u>	\$	<u>776</u>

#### Minority Interest of Partially-Owned Entities

Minority interest was \$603,000 of income for the three months ended March 31, 2005, compared to \$3,000 of income for the prior year's quarter, a reduction of \$600,000. This reduction resulted primarily from the consolidation of the Company's investment in Americold Realty Trust beginning on November 18, 2004 versus accounting for the investment on the equity method in the prior year.

#### Income From Discontinued Operations

The combined results of operations of the assets related to discontinued operations for the three months ended March 31, 2005 and 2004 include the operating results of the assets related to discontinued operations (400 North LaSalle and Arlington Plaza), as well as the Company's Palisades Residential Complex sold on June 29, 2004, and Dundalk, Maryland retail property sold on August 12, 2004.

(Amounts in thousands)	For The Three Months Ended March 31,	
	2005	2004
Total revenues	\$ 3,191	\$ 5,801
Total expenses	1,828	5,554
Income from discontinued operations	\$ <u>1,363</u>	\$ <u>247</u>

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#### Allocation to Limited Partners

Allocation to limited partners (consisting of limited partners' interest in the Operating Partnership and perpetual preferred unit distributions of the Operating Partnership) was \$45,736,000 for the three months ended March 31, 2005 compared to \$31,755,000 for the prior year's quarter, an increase of \$13,981,000. This increase resulted primarily from (i) higher earnings allocations to the limited partners as a result of higher income, (ii) distributions to the holders of the Series D-11 and D-12 perpetual preferred units issued in May and December 2004, (iii) a \$2,200,000 write off of Series D-3 issuance costs upon their redemption in January 2005, partially offset by (iv) lower distributions to the holders of the Series D-3 preferred units.

#### **Three Months Ended March 31, 2005 and March 31, 2004**

Below are the details of the changes by segment in EBITDA.

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Three months ended March 31, 2004	\$ <u>231,797</u>	\$ <u>154,979</u>	\$ <u>37,986</u>	\$ <u>30,045</u>	\$ <u>18,736</u>	\$ <u>(9,949)</u>
2005 Operations:						
Same store operations(1)		710	1,255	3,331(3)	—(5)	
Acquisitions, dispositions and non-same store income and expenses		2,341	8,042	10,240(4)	(1,549)	
Three months ended March 31, 2005	\$ <u>358,561</u>	\$ <u>158,030</u>	\$ <u>47,283</u>	\$ <u>43,616</u>	\$ <u>17,187</u>	\$ <u>92,445</u>
% increase in same store operations		<u>0.5%(2)</u>	<u>3.5%</u>	<u>11.2%(4)</u>	<u>N/A(5)</u>	

- (1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.
- (2) EBITDA and the same store percentage increase (decrease) were \$83,390 and 4.8% for the New York office portfolio and \$74,640 and (4.1%) for the CESCR portfolio.
- (3) EBITDA and the same store percentage increase reflect the commencement of leases with WPP Group (228,000 square feet) in the third quarter of 2004 and the Chicago Sun Times (127,000 square feet) in the second quarter of 2004. The same store percentage increase exclusive of these leases was 4.3%.
- (4) Primarily represents \$13,362 of lease termination fee income received from a tenant at 7 West 34<sup>th</sup> Street, partially offset by \$2,462 for the write off of the tenant's receivable arising from the straight-lining of rent. See page 35 for details.
- (5) Not comparable because prior to November 4, 2004, (date the operations of AmeriCold Logistics were combined with Americold), the Company reflected its equity in the rent Americold received from AmeriCold Logistics. Subsequent thereto, the Company reflects its equity in the operations of the combined company. See page 43 for condensed pro forma operating results of Americold for the three months ended March 31, 2005 and 2004, giving effect to the acquisition of its tenant, AmeriCold Logistics, as if it had occurred on January 1, 2004.

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#### **Investment in Americold Realty Trust ("Americold")**

Prior to November 18, 2004, the Company owned a 60% interest in the Vornado Crescent Portland Partnership, which owned Americold, and accounted for its interest under the equity method. On November 18, 2004 the Company's investment in Americold was consolidated into the accounts of the Company. The following is a pro forma presentation of the results of operations of Americold for the three months ended March 31, 2005 and 2004, giving effect to the acquisition of AmeriCold Logistics as if it had occurred on January 1, 2004.

(Amounts in thousands)

For The Three Months Ended March 31,

	2005	2004
Revenue	\$ 181,225	\$ 170,346
Cost of operations	139,558	130,498
Gross margin	41,667	39,848
Depreciation, depletion and amortization	18,371	18,288
Interest expense	13,645	12,593
General and administrative expense	8,797	9,703
Other (income) expense, net	323	(337)
Net income (loss)	531	(399)
Add - Company's 47.6% ownership interest:		
Depreciation and amortization	8,767	8,661
Interest expense	6,492	5,994
Income taxes	260	303
EBITDA	\$ 16,050	\$ 14,559
Same store % increase	10.1%	

Revenue was \$181,225,000 for the quarter ended March 31, 2005, compared to \$170,346,000 for the quarter ended March 31, 2004, an increase of \$10,879,000. This increase was primarily due to (i) \$6,396,000 from Americold's transportation management services business from both new and existing customers, (ii) \$1,043,000 from new managed warehouse contracts, net of a contract termination in the fourth quarter of 2004 and (iii) an increase in handling and accessorial services.

Gross margin from owned warehouses was \$37,546,000 or 34.7%, for the quarter ended March 31, 2005, compared to \$36,792,000, or 35.2%, for the quarter ended March 31, 2004, an increase of \$754,000. This increase was primarily attributable to higher occupancy, lower operating costs and improved productivity at the Atlanta and Allentown facilities.

Gross margin from other operations (i.e., transportation, management services and managed warehouses) was \$4,121,000 for the quarter ended March 31, 2005, compared to \$3,056,000 for the quarter ended March 31, 2004, an increase of \$1,065,000. This increase was primarily the result of an increase in transportation management services from both new and existing customers and an increase in margin from new and existing managed warehouse customers.

Interest expense was \$13,645,000 for the quarter ended March 31, 2005, compared to \$12,593,000 for the quarter ended March 31, 2004, an increase of \$1,052,000. This increase was primarily due to higher average debt outstanding as Americold obtained a mortgage financing on 28 of its unencumbered properties in February 2004.

General and administrative expense was \$8,797,000 for the quarter ended March 31, 2005, compared to \$9,703,000 for the quarter ended March 31, 2004, a decrease of \$906,000. This decrease resulted primarily from a decrease in payroll and fringes and travel and entertainment expenses.

## Liquidity And Capital Resources

### Three Months Ended March 31, 2005

Cash flows provided by operating activities of \$149,619,000 was primarily comprised of (i) net income of \$199,819,000, partially offset by (ii) adjustments for non-cash items of \$9,002,000 and (iii) the net change in operating assets and liabilities of \$41,198,000. The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of \$81,410,000, (ii) allocation of income to limited partners of the Operating Partnership of \$27,195,000, (iii) perpetual preferred unit distributions of the Operating Partnership of \$16,341,000, (iv) net loss on mark-to-market of GMH Communities L.P. warrants of \$10,178,000, (v) the write-off of preferred unit issuance costs of \$2,200,000, partially offset by, (vi) net gains on conversion of Sears common shares and derivative position to Sears Holding common shares and derivative position of \$86,094,000, (vii) net gain on mark-to-market of Sears Holding derivative position of \$7,899,000, (viii) net gains on disposition of wholly-owned and partially-owned assets other than depreciable real estate \$3,488,000, (ix) the effect of straight-lining of rental income of \$11,405,000, (x) equity in net income of partially-owned entities and Alexander's of \$34,608,000 and (xi) amortization of acquired below market leases net of above market leases of \$2,229,000.

Net cash used in investing activities of \$22,445,000 was primarily comprised of (i) investments in notes and mortgage loans receivable of \$152,000,000, (ii) capital expenditures of \$1,744,000, (iii) development and redevelopment expenditures of \$32,404,000, (iv) investments in partially-owned entities of \$112,066,000, (v) acquisitions of real estate of \$8,135,000, (vi) investments in marketable securities of \$52,322,000, partially offset by (vii) proceeds from the sale of real estate of \$1,980,000, (viii) distributions from partially-owned entities of \$9,607,000, (ix) repayments on notes and mortgages receivable of \$274,711,000, (x) restricted cash of \$42,257,000 and (xi) proceeds from the sale of marketable securities of \$7,671,000.

Net cash provided by financing activities of \$247,874,000 was primarily comprised of (i) proceeds from borrowings of \$715,000,000, (ii) proceeds of \$8,645,000 from the exercise by employees of share options, partially offset by (iii) dividends paid on common shares of \$103,747,000, (iv) repayments of borrowings of \$139,345,000, (v) redemption of preferred shares and units of \$195,000,000, (vi) dividends paid on preferred shares of \$5,206,000, and (vii) distributions to minority partners of \$32,473,000.

During 2005 and 2006, approximately \$77,690,000 and \$423,854,000 of the Company's notes and mortgages payable mature, respectively. The Company may refinance such loans or choose to repay all or a portion of such loans using existing cash balances or its revolving credit facility.

Capital expenditures are categorized as follows:

- Recurring — capital improvements expended 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 completed in the year of acquisition and the following two years which were planned at the time of acquisition and tenant improvements and leasing commissions for space which was vacant at the time of acquisition of a property.

- Development and redevelopment expenditures include all hard and soft costs associated with the development or redevelopment of a property, including tenant improvements, leasing commissions and capitalized interest and operating costs until the property is substantially complete and ready for its intended use.

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures and a reconciliation of total expenditures on an accrual basis to the cash expended in the three months ended March 31, 2005.

(Amounts in thousands)	Total	New York Office	CESCR	Retail	Merchandise Mart	Other
<b>Capital Expenditures - Accrual basis:</b>						
Expenditures to maintain the assets:						
Recurring	\$ 7,010	\$ 2,045	\$ 1,223	\$ (674)	\$ 4,416	\$ —
Non-recurring	—	—	—	—	—	—
	<u>7,010</u>	<u>2,045</u>	<u>1,223</u>	<u>(674)</u>	<u>4,416</u>	<u>—</u>
Tenant improvements:						
Recurring	17,725	8,106	1,848	1,920	5,851	—
Non-recurring	1,938	—	1,938	—	—	—
	<u>19,663</u>	<u>8,106</u>	<u>3,786</u>	<u>1,920</u>	<u>5,851</u>	<u>—</u>
Total	<u>\$ 26,673</u>	<u>\$ 10,151</u>	<u>\$ 5,009</u>	<u>\$ 1,246</u>	<u>\$ 10,267</u>	<u>\$ —</u>
<b>Leasing Commissions:</b>						
Recurring	\$ 4,052	\$ 2,241	\$ 496	\$ 232	\$ 1,083	\$ —
Non-recurring	294	—	294	—	—	—
	<u>\$ 4,346</u>	<u>\$ 2,241</u>	<u>\$ 790</u>	<u>\$ 232</u>	<u>\$ 1,083</u>	<u>\$ —</u>
Square feet leased	<u>1,298</u>	<u>269</u>	<u>358</u>	<u>210</u>	<u>461</u>	<u>—</u>
<b>Total Capital Expenditures and Leasing Commissions - Accrual basis</b>						
	\$ 31,019	\$ 12,392	\$ 5,799	\$ 1,478	\$ 11,350	\$ —
<b>Adjustments to reconcile accrual basis to cash basis:</b>						
Expenditures in the current year applicable to prior periods	9,421	4,137	4,003	663	618	—
Expenditures to be made in future periods for the current period	(18,410)	(10,366)	(3,890)	(2,152)	(2,002)	—
<b>Total Capital Expenditures and Leasing Commissions - Cash basis</b>	<u>\$ 22,030</u>	<u>\$ 6,163</u>	<u>\$ 5,912</u>	<u>\$ (11)</u>	<u>\$ 9,966</u>	<u>\$ —</u>
<b>Development and Redevelopment Expenditures:</b>						
7 West 34 <sup>th</sup> Street	\$ 8,276	\$ —	\$ —	\$ —	\$ 8,276	\$ —
Crystal Plaza (PTO)	7,394	—	7,394	—	—	—
640 Fifth Avenue	2,398	2,398	—	—	—	—
Crystal Drive – retail	905	—	905	—	—	—
Other	13,431	651	—	5,264	7,145	371
	<u>\$ 32,404</u>	<u>\$ 3,049</u>	<u>\$ 8,299</u>	<u>\$ 5,264</u>	<u>\$ 15,421</u>	<u>\$ 371</u>

### Three Months Ended March 31, 2004

Cash flows provided by operating activities of \$153,321,000 was primarily comprised of (i) income of \$82,439,000, (ii) adjustments for non-cash items of \$68,725,000, and (iii) the net change in operating assets and liabilities of \$2,157,000. The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of \$58,465,000, (ii) allocation of income to limited partners of the Operating Partnership of \$14,457,000, (iii) perpetual preferred unit distributions of the Operating Partnership of \$17,298,000, and (iv) write-off of preferred share and unit issuance costs of \$3,895,000, partially offset by, (v) the effect of straight-lining of rental income of \$10,376,000, (vi) equity in net income of partially-owned entities and Alexander's of \$10,585,000 and (vii) amortization of acquired below market leases net of above market leases of \$3,650,000.

Net cash provided by investing activities of \$68,614,000 was primarily comprised of (i) distributions from partially-owned entities of \$147,394,000, (ii) repayments on notes and mortgages receivable of \$38,500,000, partially offset by, (iii) capital expenditures of \$29,744,000, (iv) development and redevelopment expenditures of \$24,068,000, (v) investments in partially-owned entities of \$5,102,000, and (vi) acquisitions of real estate of \$54,422,000.

Net cash used in financing activities of \$251,459,000 was primarily comprised of (i) dividends paid on common shares of \$103,692,000 (ii) repayments of borrowings of \$160,183,000, (iii) redemption of preferred shares and units of \$112,467,000, (iv) dividends paid on preferred shares of \$6,614,000, and (v) distributions to minority partners of \$38,937,000, partially offset by, (vi) proceeds from borrowings of \$150,427,000 and (vii) proceeds of \$20,007,000 from the exercise by employees of share options.

Below are the detail of capital expenditures, leasing commissions and development and redevelopment expenditures and a reconciliation of total expenditures on an accrual basis to the cash expended in the three months ended March 31, 2004.

(Amounts in thousands)	Total	New York Office	CESCR	Retail	Merchandise Mart	Other
<b>Capital Expenditures (Accrual basis):</b>						
Expenditures to maintain the assets:						
Recurring	\$ 13,268	\$ 1,220	\$ 3,812	\$ 79	\$ 5,804	\$ 2,353
Non-recurring	—	—	—	—	—	—
	<u>13,268</u>	<u>1,220</u>	<u>3,812</u>	<u>79</u>	<u>5,804</u>	<u>2,353</u>
Tenant improvements:						
Recurring	18,579	10,033	6,119	218	2,209	—
Non-recurring	939	—	939	—	—	—
	<u>19,518</u>	<u>10,033</u>	<u>7,058</u>	<u>218</u>	<u>2,209</u>	<u>—</u>
<b>Total</b>	<b>\$ 32,786</b>	<b>\$ 11,253</b>	<b>\$ 10,870</b>	<b>\$ 297</b>	<b>\$ 8,013</b>	<b>\$ 2,353</b>
<b>Leasing Commissions:</b>						
Recurring	\$ 7,026	\$ 4,716	\$ 2,040	\$ 154	\$ 116	\$ —
Non-recurring	140	—	140	—	—	—
	<u>\$ 7,166</u>	<u>\$ 4,716</u>	<u>\$ 2,180</u>	<u>\$ 154</u>	<u>\$ 116</u>	<u>\$ —</u>
Square feet leased	<u>1,772</u>	<u>360</u>	<u>765</u>	<u>236</u>	<u>411</u>	<u>—</u>
<b>Total Capital Expenditures and Leasing Commissions (Accrual basis)</b>	<b>\$ 39,952</b>	<b>\$ 15,969</b>	<b>\$ 13,050</b>	<b>\$ 451</b>	<b>\$ 8,129</b>	<b>\$ 2,353</b>
Adjustments to reconcile accrual basis to cash basis:						
Expenditures in the current year applicable to prior periods	18,751	7,831	9,119	1,067	734	—
Expenditures to be made in future periods for the current period	(21,963)	(13,092)	(7,873)	(347)	(651)	—
<b>Total Capital Expenditures and Leasing Commissions (Cash basis)</b>	<b>\$ 36,740</b>	<b>\$ 10,708</b>	<b>\$ 14,296</b>	<b>\$ 1,171</b>	<b>\$ 8,212</b>	<b>\$ 2,353</b>
<b>Development and Redevelopment:</b>						
Expenditures:						
640 Fifth Avenue	\$ 4,557	\$ 4,557	\$ —	\$ —	\$ —	\$ —
4 Union Square South	7,320	—	—	7,320	—	—
Other	12,191	206	3,917	7,026	—	1,042
	<u>\$ 24,068</u>	<u>\$ 4,763</u>	<u>\$ 3,917</u>	<u>\$ 14,346</u>	<u>\$ —</u>	<u>\$ 1,042</u>

## SUPPLEMENTAL INFORMATION

### Three Months Ended March 31, 2005 vs. Three Months Ended December 31, 2004

Below are the details of the changes by segment in EBITDA for the three months ended March 31, 2005 from the three months ended December 31, 2004.

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
<b>EBITDA for the three months ended December 31, 2004</b>	<b>\$ 397,635</b>	<b>\$ 155,806</b>	<b>\$ 47,482</b>	<b>\$ 37,298</b>	<b>\$ 16,933</b>	<b>\$ 140,116</b>
<b>2005 Operations:</b>						
Same store operations(1)		(71)	196	(2,481)(3)	—	
Acquisitions, dispositions and other non-same store income and expenses		2,295	(395)	8,799(4)	254	
<b>EBITDA for the three months ended March 31, 2005</b>	<b>\$ 358,561</b>	<b>\$ 158,030</b>	<b>\$ 47,283</b>	<b>\$ 43,616</b>	<b>\$ 17,187</b>	<b>\$ 92,445</b>
% (decrease) increase in same store operations		<u>(0.1)%(2)</u>	<u>.5%</u>	<u>(7.0)%</u>	<u>N/A(5)</u>	

- (1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.
- (2) Same store percentage (decrease) increase was (1.1)% for the New York Office portfolio, and 1.2% for the CESCR portfolio. The decrease in New York Office same store was primarily due to an increase in utilities costs and repairs and maintenance expense versus the prior quarter.
- (3) Primarily due to seasonality of operations as the second and fourth quarters include major trade shows and, therefore have historically been higher than the first and third quarters.
- (4) Primarily represents \$13,362 of lease termination fee income received from a tenant at 7 West 34<sup>th</sup> Street, partially offset by \$2,462 for the write off of the tenant's receivable arising from the straight-lining of rent. See page 35 for details.
- (5) Not comparable because prior to November 4, 2004, (date the operations of AmeriCold Logistics were combined with Americold), the Company reflected its equity in the rent Americold received from AmeriCold Logistics. Subsequent thereto, the Company reflects its equity in the operations of

the combined company. See page 43 for condensed pro forma operating results of Americold for the three months ended March 31, 2005 and 2004, giving effect to the acquisition of its tenant, AmeriCold Logistics, as if it had occurred on January 1, 2004.

Below is a reconciliation of net income and EBITDA for the three months ended December 31, 2004.

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Net income for the three months ended						
December 31, 2004	\$ 239,954	\$ 80,449	\$ 23,770	\$ 23,031	\$ 927	\$ 111,777
Interest and debt expense	78,474	32,473	15,022	3,025	7,326	20,628
Depreciation and amortization	78,378	42,771	8,690	10,669	8,601	7,647
Income taxes	829	113	—	573	79	64
EBITDA for the three months ended						
December 31, 2004	\$ 397,635	\$ 155,806	\$ 47,482	\$ 37,298	\$ 16,933	\$ 140,116

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## 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 net income or loss determined in accordance with Generally Accepted Accounting Principles (“GAAP”), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, plus specified non-cash items, such as real estate asset depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

FFO and FFO per diluted share are used by management, investors and industry analysts as supplemental measures of operating performance of equity REITs. FFO and FFO per diluted share should be evaluated along with GAAP net income and income per diluted share (the most directly comparable GAAP measures), as well as cash flow from operating activities, investing activities and financing activities, in evaluating the operating performance of equity REITs. Management believes that FFO and FFO per diluted share are helpful to investors as supplemental performance measures because these measures exclude the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs which implicitly assumes that the value of real estate diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, these non-GAAP measures can facilitate comparisons of operating performance between periods and among other equity REITs.

FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs as disclosed in the Company’s Statements of Cash Flows. FFO should not be considered as an alternative to net income as an indicator of the Company’s operating performance or as an alternative to cash flows as a measure of liquidity.

The calculations of both the numerator and denominator used in the computation of income per share are disclosed in footnote 11 - Income Per Share, in the Company’s notes to consolidated financial statements on page 19 of this Quarterly Report on Form 10-Q.

FFO for the Three Months Ended March 31, 2005, and 2004

FFO applicable to common shares plus assumed conversions was \$248,725,000, or \$1.84 per diluted share for three months ended March 31, 2005, compared to \$128,975,000 or \$1.01 diluted share for prior year’s quarter, an increase of \$119,750,000 or \$.83 per share.

(Amounts in thousands, except per share amounts)	For The Three Months Ended March 31,	
	2005	2004
<b>Reconciliation of Net Income to FFO:</b>		
Net income	\$ 199,819	\$ 82,439
Depreciation and amortization of real property	63,876	53,640
Net gains on sale of real estate	—	—
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at FFO:		
Depreciation and amortization of real property	6,297	13,104
Net gains on sale of real estate	(135)	(1,917)
Limited partners’ share of above adjustments	(9,001)	(10,586)
FFO	260,856	136,680
Preferred dividends	(12,386)	(7,982)
FFO applicable to common shares	248,470	128,698
Series A convertible preferred dividends	255	277
FFO applicable to common shares plus assumed conversions	\$ 248,725	\$ 128,975
<b>Reconciliation of Weighted Average Shares:</b>		
Weighted average common shares outstanding	128,313	121,588
Effect of dilutive securities:		
Employee stock options and restricted share awards	6,571	5,423
Series A convertible preferred shares	435	473
Denominator for diluted FFO per share	135,319	127,484
Diluted FFO per share	\$ 1.84	\$ 1.01

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Included in FFO are certain items that affect comparability as detailed below. Before these items, the three months ended March 31, 2005 is 11.7% higher than the prior year's three months on a per share basis.

(Amounts in thousands, except per share amounts)	For the Three Months Ended			
	March 31, 2005		March 31, 2004	
	Amount	Per Share	Amount	Per Share
FFO applicable to common shares plus assumed conversions	\$ 248,725	\$ 1.84	\$ 128,975	\$ 1.01
Items that affect comparability:				
Net gain on conversion of Sears common shares and derivative position to Sears Holding common shares and derivative position	\$ (86,094)		\$ —	
Net gain on mark-to-market of Sears Holding derivative position	(7,899)		—	
Net gain on sale of Alexander's 731 Lexington Avenue condominiums	(20,633)		(776)	
Net loss on mark-to-market of GMH warrants	10,178		—	
Alexander's stock appreciation rights compensation expense	7,433		9,913	
Write-off of perpetual preferred share and unit issuance costs	6,052		3,895	
Net gain on sale of land parcels	(1,469)		—	
Net loss on early extinguishment of debt and impairment loss of partially-owned entities	496		1,434	
Limited partners' share of above adjustments	11,260		(2,261)	
	\$ (80,676)	\$ (.60)	\$ 12,205	\$ .10

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### Item 3. Quantitative and Qualitative Disclosures About Market Risks

The Company has exposure to fluctuations in market interest rates. Market interest rates are highly sensitive to many factors that are beyond the control of the Company. Various financial instruments exist which would allow management to mitigate the impact of interest rate fluctuations on the Company's cash flows and earnings.

As of March 31, 2005, the Company has an interest rate swap as described in footnote 1 to the table below. In addition, during 2003 the Company purchased two interest rate caps with notional amounts aggregating \$295,000,000, and simultaneously sold two interest rate caps with the same aggregate notional amount on substantially the same terms as the caps purchased. As the significant terms of these arrangements are the same, the effects of a revaluation of these instruments are expected to substantially offset one another. Management may engage in additional hedging strategies in the future, depending on management's analysis of the interest rate environment and the costs and risks of such strategies.

The Company's exposure to a change in interest rates on its consolidated and non-consolidated debt (all of which arises out of non-trading activity) is as follows:

(Amounts in thousands, except per share amounts)

	As at March 31, 2005			As at December 31, 2004	
	Balance	Weighted Average Interest Rate	Effect of 1% Increase In Base Rates	Balance	Weighted Average Interest Rate
Consolidated debt:					
Variable rate	\$ 979,906(1)	4.22%	\$ 9,799	\$ 1,114,981	3.45%
Fixed rate	4,557,973	6.32%	—	3,841,530	6.68%
	\$ 5,537,879	5.95%	9,799	\$ 4,956,511	5.95%
Debt of non-consolidated entities:					
Variable rate	\$ 123,681	4.82%	1,237	\$ 122,007	4.67%
Fixed rate	563,255	6.80%	—	547,935	6.73%
	\$ 686,936	6.44%	1,237	\$ 669,942	6.36%
Minority interest			(1,313)		
Total change in the Company's annual net income			\$ 9,723		
Per share-diluted			\$ (.07)		

- (1) Includes \$504,003 for the Company's senior unsecured notes due 2007, as the Company entered into interest rate swap agreements that effectively converted the interest rate from a fixed rate of 5.625% to a floating rate of LIBOR plus .7725%, based upon the trailing three month LIBOR rate (3.60% if set on March 31, 2005). In accordance with SFAS No. 133, as amended, the Company is required to fair value the debt at each reporting period. At March 31, 2005 and 2004, the fair value adjustment was \$4,324 and \$32,474, and is included in the balances of the senior unsecured notes above.

The fair value of the Company's debt, based on discounted cash flows at the current rate at which similar loans would be made to borrowers with similar credit ratings for the remaining term of such debt, exceeds the aggregate carrying amount by approximately \$26,700,000 at March 31, 2005.

The Company has the following derivative instruments that do not qualify for hedge accounting treatment:

As a result of the merger between Sears and Kmart on March 30, 2005, the Company's derivative position representing 7,916,900 Sears common shares became a derivative position representing 2,491,819 common shares of Sears Holding valued at \$323,936,000 based on the \$130.00 per share closing price on March 30, 2005, the date of the merger, and \$146,663,000 of cash. As a result, the Company recognized a net gain of approximately \$58,443,000 based on the fair value of the Company's derivative position after the exchange of these underlying assets. Because this derivative position does not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income" on the Company's consolidated statement of income. On March 31, 2005, the Company recorded income of \$7,899,000 from the mark-to-market of this derivative position based on Sears Holding's closing share price of \$133.17.

Under a warrant agreement with GMH Communities L.P., the Company holds 5.7 million warrants to purchase partnership units of GMH at an adjusted exercise price of \$8.82 per share. Because these warrants are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the warrants at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income" on the Company's consolidated statement of income. In the quarter ended March 31, 2005, the Company recognized a loss of \$10,178,000 from the mark-to-market of these warrants based on GCT's closing stock price on the NYSE of \$11.71 per share on March 31, 2005.

#### 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 the end of such period, the Company's disclosure controls and procedures are 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.

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## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

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

The following updates the discussion set forth under "Item 3. Legal Proceedings" in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

#### Stop & Shop

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey ("USDC-NJ") claiming the Company has no right to reallocate and therefore continue to collect the \$5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty, because of the expiration of the East Brunswick, Jersey City, Middletown, Union and Woodbridge leases to which the \$5,000,000 of additional rent was previously allocated. Stop & Shop asserted that a prior order of the Bankruptcy Court for the Southern District of New York dated February 6, 2001, as modified on appeal to the District Court for the Southern District of New York on February 13, 2001, froze the Company's right to re-allocate which effectively terminated the Company's right to collect the additional rent from Stop & Shop. On March 3, 2003, after the Company moved to dismiss for lack of jurisdiction, Stop & Shop voluntarily withdrew its complaint. On March 26, 2003, Stop & Shop filed a new complaint in New York Supreme Court, asserting substantially the same claims as in its USDC-NJ complaint. The Company removed the action to the United States District Court for the Southern District of New York, but in January 2005 that court remanded the action to the New York Supreme Court. The Company then served an answer in which it asserted a counterclaim seeking a judgment for all the unpaid additional rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the additional rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. The Company intends to pursue its claims against Stop & Shop vigorously.

#### Vornado Operating Company

In November 2004, a class action shareholder derivative lawsuit was brought in the Delaware Court of Chancery against Vornado Operating Company ("Vornado Operating"), its directors and the Company. The lawsuit sought to enjoin the dissolution of Vornado Operating, rescind the previously completed sale of AmeriCold Logistics (owned 60% by Vornado Operating) to Americold Realty Trust (owned 60% by the Company) and damages. In addition, the plaintiffs claimed that the Vornado Operating directors breached their fiduciary duties. On November 24, 2004, a stipulation of settlement was entered into under which the Company agreed to settle the lawsuit with a payment of approximately \$4.5 million or about \$1 per Vornado Operating share or partnership unit before litigation expenses. The Company had accrued the proposed settlement payment and related legal costs as part of "general and administrative expense" in the fourth quarter of 2004. On March 22, 2005, the Court approved the settlement.

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

Not Applicable.

**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.

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**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: April 28, 2005

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)

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**EXHIBIT INDEX**

**Exhibit  
No.**

3.1	—	Amended and Restated Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on April 16, 1993 - Incorporated by reference to Exhibit 3(a) to Vornado Realty Trust's Registration Statement on Form S-4 (File No. 33-60286), filed on April 15, 1993	*
3.2	—	Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on May 23, 1996 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 11, 2002	*
3.3	—	Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on April 3, 1997 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 11, 2002	*
3.4	—	Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on October 14, 1997 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000	*
3.5	—	Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on April 22, 1998 - Incorporated by reference to Exhibit 3.5 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*
3.6	—	Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on November 24, 1999 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000	*
3.7	—	Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on April 20, 2000 - Incorporated by reference to Exhibit 3.5 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000	*
3.8	—	Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on September 14, 2000 - Incorporated by reference to Exhibit 4.6 to Vornado's Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001	*
3.9	—	Articles of Amendment of Declaration of Trust of Vornado Realty Trust dated May 31, 2002, as filed with the State Department of Assessments and Taxation of Maryland on June 13, 2002 - Incorporated by reference to Exhibit 3.9 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954), filed on August 7, 2002	*

\* Incorporated by reference.

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- 3.10 — Articles of Amendment of Declaration of Trust of Vornado Realty Trust dated June 6, 2002, as filed with the State Department of Assessments and Taxation of Maryland on June 13, 2002 - Incorporated by reference to Exhibit 3.10 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954), filed on August 7, 2002 \*
- 3.11 — Articles of Amendment of Declaration of Trust of Vornado Realty Trust dated December 16, 2004, as filed with the State Department of Assessments and Taxation of Maryland on December 16, 2004 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K, dated December 16, 2004 (File No. 001-11954), filed on December 21, 2004 \*
- 3.12 — Articles Supplementary Classifying Vornado's \$3.25 Series A Preferred Shares of Beneficial Interest, liquidation preference \$50.00 per share - Incorporated by reference to Exhibit 3.11 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 \*
- 3.13 — Articles Supplementary Classifying Vornado Realty Trust's \$3.25 Series A Convertible Preferred Shares of Beneficial Interest, as filed with the State Department of Assessments and Taxation of Maryland on December 15, 1997- Incorporated by reference to Exhibit 3.10 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 31, 2002 \*
- 3.14 — Articles Supplementary Classifying Vornado Realty Trust's Series D-1 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest, no par value - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K, dated November 12, 1998 (File No. 001-11954), filed on November 30, 1998 \*
- 3.15 — Articles Supplementary Classifying Additional Series D-1 8.5% Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K/A, dated November 12, 1998 (File No. 001-11954), filed on February 9, 1999 \*
- 3.16 — Articles Supplementary Classifying 8.5% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999 \*
- 3.17 — Articles Supplementary Classifying Vornado Realty Trust's Series C 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value - Incorporated by reference to Exhibit 3.7 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on May 19, 1999 \*
- 3.18 — Articles Supplementary Classifying Vornado Realty Trust's Series D-2 8.375% Cumulative Redeemable Preferred Shares, dated as of May 27, 1999, as filed with the State Department of Assessments and Taxation of Maryland on May 27, 1999 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999 \*

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\* Incorporated by reference.

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- 3.19 — Articles Supplementary Classifying Vornado Realty Trust's Series D-3 8.25% Cumulative Redeemable Preferred Shares, dated September 3, 1999, as filed with the State Department of Assessments and Taxation of Maryland on September 3, 1999 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999 \*
- 3.20 — Articles Supplementary Classifying Vornado Realty Trust's Series D-4 8.25% Cumulative Redeemable Preferred Shares, dated September 3, 1999, as filed with the State Department of Assessments and Taxation of Maryland on September 3, 1999 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999 \*
- 3.21 — Articles Supplementary Classifying Vornado Realty Trust's Series D-5 8.25% Cumulative Redeemable Preferred Shares - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on December 23, 1999 \*
- 3.22 — Articles Supplementary Classifying Vornado Realty Trust's Series D-6 8.25% Cumulative Redeemable Preferred Shares, dated May 1, 2000, as filed with the State Department of Assessments and Taxation of Maryland on May 1, 2000 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed May 19, 2000 \*
- 3.23 — Articles Supplementary Classifying Vornado Realty Trust's Series D-7 8.25% Cumulative Redeemable Preferred Shares, dated May 1, 2000, as filed with the State Department of Assessments and Taxation of Maryland on May 1, 2000 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed May 19, 2000 \*

Preferred Shares, dated May 25, 2000, as filed with the State Department of Assessments and Taxation of Maryland on June 1, 2000 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954), filed on June 16, 2000

- 3.24 — Articles Supplementary Classifying Vornado Realty Trust's Series D-8 8.25% Cumulative Redeemable Preferred Shares - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K, dated December 8, 2000 (File No. 001-11954), filed on December 28, 2000 \*
- 3.25 — Articles Supplementary Classifying Vornado Realty Trust's Series D-9 8.75% Preferred Shares, dated September 21, 2001, as filed with the State Department of Assessments and Taxation of Maryland on September 25, 2001 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001 \*
- 3.26 — Articles Supplementary Classifying Vornado Realty Trust's Series D-10 7.00% Cumulative Redeemable Preferred Shares, dated November 17, 2003, as filed with the State Department of Assessments and Taxation of Maryland on November 17, 2003 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on November 18, 2003 \*
- 3.27 — Articles Supplementary Classifying Vornado Realty Trust's Series D-11 7.20% Cumulative Redeemable Preferred Shares, dated May 27, 2004, as filed with the State Department of Assessments and Taxation of Maryland on May 27, 2004 - Incorporated by reference to Exhibit 99.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 14, 2004 \*

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\* Incorporated by reference.

- 3.28 — Articles Supplementary Classifying Vornado Realty Trust's 7.00% Series E Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share - Incorporated by reference to Exhibit 3.27 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on August 20, 2004 \*
- 3.29 — Articles Supplementary Classifying Vornado Realty Trust's 6.75% Series F Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share - Incorporated by reference to Exhibit 3.28 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on November 17, 2004 \*
- 3.30 — Articles Supplementary Classifying Vornado Realty Trust's 6.55% Series D-12 Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K, dated December 16, 2004 (File No. 001-11954), filed on December 21, 2004 \*
- 3.31 — Articles Supplementary Classifying Vornado Realty Trust's 6.625% Series G Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K, dated December 16, 2004 (File No. 001-11954), filed on December 21, 2004 \*
- 3.32 — Amended and Restated Bylaws of Vornado Realty Trust, as amended on March 2, 2000 - Incorporated by reference to Exhibit 3.12 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000 \*
- 3.33 — Second Amendment and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of October 20, 1997 (the "Partnership Agreement") - Incorporated by reference to Exhibit 3.26 of Vornado Realty Trust's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 \*
- 3.34 — Amendment to the Partnership Agreement, dated as of December 16, 1997 - Incorporated by reference to Exhibit 3.27 of Vornado Realty Trust's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 \*
- 3.35 — Second Amendment to the Partnership Agreement, dated as of April 1, 1998 - Incorporated by reference to Exhibit 3.5 of Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-50095), filed on April 14, 1998 \*
- 3.36 — Third Amendment to the Partnership Agreement, dated as of November 12, 1998 - Incorporated by reference to Exhibit 3.2 of Vornado Realty Trust's Current Report on Form 8-K, dated November 12, 1998 (File No. 001-11954), filed on November 30, 1998 \*
- 3.37 — Fourth Amendment to the Partnership Agreement, dated as of November 30, 1998 - Incorporated by reference to Exhibit 3.1 of Vornado Realty Trust's Current Report on Form 8-K, dated December 1, 1998 (File No. 001-11954), filed on February 9, 1999 \*
- 3.38 — Fifth Amendment to the Partnership Agreement, dated as of March 3, 1999 - Incorporated by reference to

- 3.39 — Sixth Amendment to the Partnership Agreement, dated as of March 17, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado Realty Trust's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999 \*

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\* Incorporated by reference.

- 3.40 — Seventh Amendment to the Partnership Agreement, dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.3 of Vornado Realty Trust's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999 \*
- 3.41 — Eighth Amendment to the Partnership Agreement, dated as of May 27, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado Realty Trust's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999 \*
- 3.42 — Ninth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.3 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999 \*
- 3.43 — Tenth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado Realty Trust's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999 \*
- 3.44 — Eleventh Amendment to the Partnership Agreement, dated as of November 24, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado Realty Trust's Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on December 23, 1999 \*
- 3.45 — Twelfth Amendment to the Partnership Agreement, dated as of May 1, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado Realty Trust's Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed on May 19, 2000 \*
- 3.46 — Thirteenth Amendment to the Partnership Agreement, dated as of May 25, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado Realty Trust's Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954), filed on June 16, 2000 \*
- 3.47 — Fourteenth Amendment to the Partnership Agreement, dated as of December 8, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado Realty Trust's Current Report on Form 8-K, dated December 8, 2000 (File No. 001-11954), filed on December 28, 2000 \*
- 3.48 — Fifteenth Amendment to the Partnership Agreement, dated as of December 15, 2000 - Incorporated by reference to Exhibit 4.35 of Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001 \*
- 3.49 — Sixteenth Amendment to the Partnership Agreement, dated as of July 25, 2001 - Incorporated by reference to Exhibit 3.3 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001 \*
- 3.50 — Seventeenth Amendment to the Partnership Agreement, dated as of September 21, 2001 - Incorporated by reference to Exhibit 3.4 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001 \*
- 3.51 — Eighteenth Amendment to the Partnership Agreement, dated as of January 1, 2002 - Incorporated by reference to Exhibit 3.1 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on March 18, 2002 \*
- 3.52 — Nineteenth Amendment to the Partnership Agreement, dated as of July 1, 2002 - Incorporated by reference to Exhibit 3.47 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954) \*

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\* Incorporated by reference.

- 3.53 — Twentieth Amendment to the Partnership Agreement, dated April 9, 2003 - Incorporated by reference to Exhibit 3.27 of Vornado Realty Trust's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 \*

3.54	—	Twenty-First Amendment to the Partnership Agreement, dated as of July 31, 2003 - Incorporated by reference to Exhibit 10.5 of Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (File No. 001-11954), filed on November 7, 2003	*
3.55	—	Twenty-Second Amendment to the Partnership Agreement, dated as of November 17, 2003 - Incorporated by reference to Exhibit 3.49 of Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-11954), filed on March 3, 2004	*
3.56	—	Twenty-Third Amendment to the Partnership Agreement, dated May 27, 2004 - Incorporated by reference to Exhibit 99.2 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 14, 2004	*
3.57	—	Twenty-Fourth Amendment to the Partnership Agreement, dated August 17, 2004 - Incorporated by reference to Exhibit 3.57 to Vornado Realty Trust and Vornado Realty L.P.'s Registration Statement on Form S-3 (File No. 333-122306), filed on January 26, 2005	*
3.58	—	Twenty-Fifth Amendment to the Partnership Agreement, dated November 17, 2004 - Incorporated by reference to Exhibit 3.58 to Vornado Realty Trust and Vornado Realty L.P.'s Registration Statement on Form S-3 (File No. 333-122306), filed on January 26, 2005	*
3.59	—	Twenty-Sixth Amendment to the Partnership Agreement, dated December 17, 2004 - Incorporated by reference to Exhibit 3.1 of Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004	*
3.60	—	Twenty-Seventh Amendment to the Partnership Agreement, dated December 20, 2004 - Incorporated by reference to Exhibit 3.2 of Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004	*
3.61	—	Twenty-Eighth Amendment to the Partnership Agreement, dated December 30, 2004 - Incorporated by reference to Exhibit 3.1 of Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on January 4, 2005	*
4.1	—	Instruments defining the rights of security holders (see Exhibits 3.1 through 3.32 of this Annual Report on Form 10-K)	*
4.2	—	Specimen certificate representing Vornado Realty Trust's Common Shares of Beneficial Interest, par value \$0.04 per share - Incorporated by reference to Exhibit 4.1 of Amendment No. 1 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 33-62395), filed on October 26, 1995	*
4.3	—	Specimen certificate representing Vornado Realty Trust's \$3.25 Series A Preferred Shares of Beneficial Interest, liquidation preference \$50.00 per share, no par value - Incorporated by reference to Exhibit 4.3 of Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*

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\* Incorporated by reference.

4.4	—	Specimen certificate evidencing Vornado Realty Trust's 7.00% Series E Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value - Incorporated by reference to Exhibit 4.5 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed August 20, 2004	*
4.5	—	Specimen certificate evidencing Vornado Realty Trust's 6.75% Series F Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value - Incorporated by reference to Exhibit 4.6 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed November 17, 2004	*
4.6	—	Specimen certificate evidencing Vornado Realty Trust's 6.625% Series G Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value - Incorporated by reference to Exhibit 4.7 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed December 21, 2004	*
4.7	—	Indenture and Servicing Agreement, dated as of March 1, 2000, among Vornado, LaSalle Bank National Association, ABN Amro Bank N.V. and Midland Loan Services, Inc. - Incorporated by reference to Exhibit 10.48 of Vornado's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000	*
4.8	—	Indenture, dated as of June 24, 2002, between Vornado Realty L.P. and The Bank of New York, as Trustee - Incorporated by reference to Exhibit 4.1 to Vornado Realty L.P.'s Current Report on Form 8-K dated June 19, 2002 (File No. 000-22685), filed on June 24, 2002	*

4.9	—	Officer's Certificate pursuant to Sections 102 and 301 of the Indenture, dated June 24, 2002 - Incorporated by reference to Exhibit 4.2 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954), filed on August 7, 2002	*
4.10	—	Indenture, dated as of November 25, 2003, between Vornado Realty L.P. and The Bank of New York, as Trustee  <i>Certain instruments defining the rights of holders of long-term debt securities of Vornado Realty Trust and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Vornado Realty Trust hereby undertakes to furnish to the Securities and Exchange Commission, upon request, copies of any such instruments.</i>	
10.1**	—	Vornado Realty Trust's 1993 Omnibus Share Plan, as amended - Incorporated by reference to Exhibit 4.1 of Vornado Realty Trust's Registration Statement on Form S-8 (File No. 331-09159), filed on July 30, 1996	*
10.2**	—	Second Amendment, dated as of June 12, 1997, to Vornado's 1993 Omnibus Share Plan, as amended - Incorporated by reference to Vornado's Registration Statement on Form S-8 (File No. 333-29011), filed on June 12, 1997	*
10.3	—	Master Agreement and Guaranty, between Vornado, Inc. and Bradlees New Jersey, Inc. dated as of May 1, 1992 - Incorporated by reference to Vornado's Quarterly Report on Form 10-Q for quarter ended March 31, 1992 (File No. 001-11954), filed May 8, 1992	*

\* Incorporated by reference.

\*\* Management contract or compensatory agreement.

10.4	—	Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated as of November 24, 1993 made by each of the entities listed therein, as mortgagors to Vornado Finance Corp., as mortgagee - Incorporated by reference to Vornado's Current Report on Form 8-K, dated November 24, 1993 (File No. 001-11954), filed December 1, 1993	*
10.5**	—	Employment Agreement between Vornado Realty Trust and Joseph Macnow dated January 1, 1998 - Incorporated by reference to Exhibit 10.7 of Vornado's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (File No. 001-11954), filed November 12, 1998	*
10.6**	—	Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated December 2, 1996 - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 001-11954), filed March 13, 1997	*
10.7	—	Registration Rights Agreement between Vornado, Inc. and Steven Roth, dated December 29, 1992 - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993	*
10.8	—	Stock Pledge Agreement between Vornado, Inc. and Steven Roth dated December 29, 1992 - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993	*
10.9	—	Management Agreement between Interstate Properties and Vornado, Inc. dated July 13, 1992 - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993	*
10.10	—	Real Estate Retention Agreement between Vornado, Inc., Keen Realty Consultants, Inc. and Alexander's, Inc., dated as of July 20, 1992 - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993	*
10.11	—	Amendment to Real Estate Retention Agreement dated February 6, 1995 - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995	*
10.12	—	Stipulation between Keen Realty Consultants Inc. and Vornado Realty Trust re: Alexander's Retention Agreement - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 001-11954), filed March 24, 1994	*
10.13	—	Stock Purchase Agreement, dated February 6, 1995, among Vornado Realty Trust and Citibank, N.A. - Incorporated by reference to Vornado's Current Report on Form 8-K, dated February 6, 1995 (File No. 001-11954), filed February 21, 1995	*
10.14	—	Management and Development Agreement, dated as of February 6, 1995 - Incorporated by reference to Vornado's Current Report on Form 8-K, dated February 6, 1995 (File No. 001-11954), filed February 21, 1995	*
10.15	—	Standstill and Corporate Governance Agreement, dated as of February 6, 1995 - Incorporated by reference to	*



- \* Incorporated by reference.  
 \*\* Management contract or compensatory agreement.

- 10.16 — Credit Agreement, dated as of March 15, 1995, among Alexander's Inc., as borrower, and Vornado Lending Corp., as lender - Incorporated by reference from Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995 \*
- 10.17 — Subordination and Intercreditor Agreement, dated as of March 15, 1995 among Vornado Lending Corp., Vornado Realty Trust and First Fidelity Bank, National Association - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995 \*
- 10.18 — Form of Intercompany Agreement between Vornado Realty L.P. and Vornado Operating, Inc. - Incorporated by reference to Exhibit 10.1 of Amendment No. 1 to Vornado Operating, Inc.'s Registration Statement on Form S-11 (File No. 333-40701), filed on January 23, 1998 \*
- 10.19 — Form of Revolving Credit Agreement between Vornado Realty L.P. and Vornado Operating, Inc., together with related form of Note - Incorporated by reference to Exhibit 10.2 of Amendment No. 1 to Vornado Operating, Inc.'s Registration Statement on Form S-11 (File No. 333-40701), filed on January 23, 1998 \*
- 10.20 — Registration Rights Agreement, dated as of April 15, 1997, between Vornado Realty Trust and the holders of Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.2 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997 \*
- 10.21 — Noncompetition Agreement, dated as of April 15, 1997, by and among Vornado Realty Trust, the Mendik Company, L.P., and Bernard H. Mendik - Incorporated by reference to Exhibit 10.3 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997 \*
- 10.22\*\* — Employment Agreement, dated as of April 15, 1997, by and among Vornado Realty Trust, The Mendik Company, L.P. and David R. Greenbaum - Incorporated by reference to Exhibit 10.4 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997 \*
- 10.23 — Agreement, dated September 28, 1997, between Atlanta Parent Incorporated, Portland Parent Incorporated and Crescent Real Estate Equities, Limited Partnership - Incorporated by reference to Exhibit 99.6 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on October 8, 1997 \*
- 10.24 — Contribution Agreement between Vornado Realty Trust, Vornado Realty L.P. and The Contributors Signatory - thereto - Merchandise Mart Properties, Inc. (DE) and Merchandise Mart Enterprises, Inc. - Incorporated by reference to Exhibit 10.34 of Vornado's Annual Report on Form 10-K/A for the year ended December 31, 1997 (File No. 001-11954), filed on April 8, 1998 \*
- 10.25 — Sale Agreement executed November 18, 1997, and effective December 19, 1997, between MidCity Associates, a New York partnership, as Seller, and One Penn Plaza LLC, a New York limited liability company, as purchaser - Incorporated by reference to Exhibit 10.35 of Vornado's Annual Report on Form 10-K/A for the year ended December 31, 1997 (File No. 001-11954), filed on April 8, 1998 \*
- 10.26 — Credit Agreement, dated as of June 22, 1998, among One Penn Plaza, LLC, as Borrower, The Lenders Party hereto, The Chase Manhattan Bank, as Administrative Agent - Incorporated by reference to Exhibit 10 of Vornado's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 (File No. 001-11954), filed August 13, 1998 \*

- \* Incorporated by reference.  
 \*\* Management contract or compensatory agreement.

- 10.27 — Registration Rights Agreement, dated as of April 1, 1998, between Vornado and the Unit Holders named therein - Incorporated by reference to Exhibit 10.2 of Amendment No. 1 to Vornado's Registration Statement on Form S-3 (File No. 333-50095), filed on May 6, 1998 \*
- 10.28 — Registration Rights Agreement, dated as of August 5, 1998, between Vornado and the Unit Holders named therein - Incorporated by reference to Exhibit 10.1 of Vornado's Registration Statement on Form S-3 (File No. 333-89667), filed on October 25, 1999 \*
- 10.29 — Registration Rights Agreement, dated as of July 23, 1998, between Vornado and the Unit Holders named

therein - Incorporated by reference to Exhibit 10.2 of Vornado's Registration Statement on Form S-3 (File No. 333-89667), filed on October 25, 1999

10.30	—	Consolidated and Restated Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, dated as of March 1, 2000, between Entities named therein (as Mortgagors) and Vornado (as Mortgagee) - Incorporated by reference to Exhibit 10.47 of Vornado's Annual Report on Form 10-K for the period ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000	*
10.31**	—	Employment Agreement, dated January 22, 2000, between Vornado Realty Trust and Melvyn Blum - Incorporated by reference to Exhibit 10.49 of Vornado's Annual Report on Form 10-K for the period ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000	*
10.32**	—	Deferred Stock Agreement, dated December 29, 2000, between Vornado Realty Trust and Melvyn Blum - Incorporated by reference to Exhibit 10.32 of Vornado's Annual Report on Form 10-K for the period ended December 31, 2002 (File No. 001-11954), filed on March 7, 2003	*
10.33	—	First Amended and Restated Promissory Note of Steven Roth, dated November 16, 1999 - Incorporated by reference to Exhibit 10.50 of Vornado's Annual Report on Form 10-K for the period ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000	*
10.34	—	Letter agreement, dated November 16, 1999, between Steven Roth and Vornado Realty Trust - Incorporated by reference to Exhibit 10.51 of Vornado's Annual Report on Form 10-K for the period ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000	*
10.35	—	Revolving Credit Agreement dated as of March 21, 2000 among Vornado Realty L.P., as borrower, Vornado Realty Trust, as general partner, and UBS AG, as Bank - Incorporated by reference to Vornado's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 (File No. 001-11954), filed on May 5, 2000	*
10.36	—	Agreement and Plan of Merger, dated as of October 18, 2001, by and among Vornado Realty Trust, Vornado Merger Sub L.P., Charles E. Smith Commercial Realty L.P., Charles E. Smith Commercial Realty L.L.C., Robert H. Smith, individually, Robert P. Kogod, individually, and Charles E. Smith Management, Inc. - Incorporated by reference to Exhibit 2.1 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on January 16, 2002	*
10.37	—	Registration Rights Agreement, dated January 1, 2002, between Vornado Realty Trust and the holders of the Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.1 of Vornado's Current Report on Form 8-K (File No. 1-11954), filed on March 18, 2002	*

\* Incorporated by reference.

\*\* Management contract or compensatory agreement.

10.38	—	Registration Rights Agreement, dated January 1, 2002, between Vornado Realty Trust and the holders of the Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.2 of Vornado's Current Report on Form 8-K (File No. 1-11954), filed on March 18, 2002	*
10.39	—	Tax Reporting and Protection Agreement, dated December 31, 2001, by and among Vornado, Vornado Realty L.P., Charles E. Smith Commercial Realty L.P. and Charles E. Smith Commercial Realty L.L.C. - Incorporated by reference to Exhibit 10.3 of Vornado's Current Report on Form 8-K (File No. 1-11954), filed on March 18, 2002	*
10.40**	—	Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 10.7 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (File No. 001-11954), filed on May 1, 2002	*
10.41**	—	First Amendment, dated October 31, 2002, to the Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 99.6 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.42**	—	First Amendment, dated June 7, 2002, to the Convertible Units Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated December 2, 1996 - Incorporated by reference to Exhibit 99.3 to Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.43**	—	Second Amendment, dated October 31, 2002, to the Convertible Units Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated December 2, 1996 - Incorporated by reference to Exhibit 99.4 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.44**	—	2002 Units Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 99.7 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.45**	—	First Amendment, dated October 31, 2002, to the 2002 Units Agreement between Vornado Realty Trust and	*

Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 99.8 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002

- 10.46\*\* — First Amendment, dated October 31, 2002, to the Registration Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated December 2, 1996 - Incorporated by reference to Exhibit 99.9 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002 \*
- 10.47\*\* — Trust Agreement between Vornado Realty Trust and Chase Manhattan Bank, dated December 2, 1996 - Incorporated by reference to Exhibit 99.10 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002 \*
- 10.48\*\* — First Amendment, dated September 17, 2002, to the Trust Agreement between Vornado Realty Trust and Chase Manhattan Bank, dated December 2, 1996 - Incorporated by reference to Exhibit 99.11 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002 \*

\* Incorporated by reference.

\*\* Management contract or compensatory agreement.

- 10.49 — Amended and Restated Credit Agreement, dated July 3, 2002, between Alexander's Inc. and Vornado Lending L.L.C. (evidencing a \$50,000,000 line of credit facility) - Incorporated by reference to Exhibit 10(i)(B)(3) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 \*
- 10.50 — Credit Agreement, dated July 3, 2002, between Alexander's and Vornado Lending L.L.C. (evidencing a \$35,000,000 loan) - Incorporated by reference to Exhibit 10(i)(B)(4) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 \*
- 10.51 — Guaranty of Completion, dated as of July 3, 2002, executed by Vornado Realty L.P. for the benefit of Bayerische Hypo- und Vereinsbank AG, New York Branch, as Agent for the Lenders - Incorporated by reference to Exhibit 10(i)(C)(5) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 \*
- 10.52 — Reimbursement Agreement, dated as of July 3, 2002, by and between Alexander's, Inc., 731 Commercial LLC, 731 Residential LLC and Vornado Realty L.P. - Incorporated by reference to Exhibit 10(i)(C)(8) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 \*
- 10.53 — Amendment to Real Estate Retention Agreement, dated as of July 3, 2002, by and between Alexander's, Inc. and Vornado Realty L.P. - Incorporated by reference to Exhibit 10(i)(E)(3) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 \*
- 10.54 — 59th Street Real Estate Retention Agreement, dated as of July 3, 2002, by and between Vornado Realty L.P., 731 Residential LLC and 731 Commercial LLC - Incorporated by reference to Exhibit 10(i)(E)(4) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 \*
- 10.55 — Amended and Restated Management and Development Agreement, dated as of July 3, 2002, by and between Alexander's, Inc., the subsidiaries party thereto and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(1) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 \*
- 10.56 — 59th Street Management and Development Agreement, dated as of July 3, 2002, by and between 731 Commercial LLC and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(2) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 \*
- 10.57 — Amendment dated May 29, 2002, to the Stock Pledge Agreement between Vornado Realty Trust and Steven Roth dated December 29, 1992 - Incorporated by reference to Exhibit 5 of Interstate Properties' Schedule 13D dated May 29, 2002 (File No. 005-44144), filed on May 30, 2002 \*
- 10.58\*\* — Vornado Realty Trust's 2002 Omnibus Share Plan - Incorporated by reference to Exhibit 4.2 to Vornado's Registration Statement on Form S-3 (File No. 333-102216) filed December 26, 2002 \*

\* Incorporated by reference.

\*\* Management contract or compensatory agreement.

10.59**	—	First Amended and Restated Promissory Note from Michael D. Fascitelli to Vornado Realty Trust, dated December 17, 2001 - Incorporated by reference to Exhibit 10.59 of Vornado's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-11954), filed on March 7, 2003	*
10.60**	—	Promissory Note from Joseph Macnow to Vornado Realty Trust, dated July 23, 2002- Incorporated by reference to Exhibit 10.60 of Vornado's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-11954), filed on March 7, 2003	*
10.61**	—	Amendment to Employment Agreement by and between Vornado Realty Trust and Melvyn H. Blum, dated February 13, 2003 - Incorporated by reference to Exhibit 10.61 of Vornado's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-11954), filed on March 7, 2003	*
10.62**	—	Amendment No. 1 to Deferred Stock Agreement by and between Vornado Realty Trust and Melvyn H. Blum, dated February 13, 2003 - Incorporated by reference to Exhibit 10.62 of Vornado's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-11954), filed on March 7, 2003	*
10.63**	—	Employment Agreement between Vornado Realty Trust and Mitchell Shear, dated April 7, 2003 - Incorporated by reference to Exhibit 10.1 of Vornado Realty Trust's Quarterly Report on form 10-Q for the quarter ended June 30, 2003 (File No. 001-11954), filed on August 8, 2003	*
10.64	—	Revolving Credit Agreement, dated as of July 2, 2003 among Vornado Realty L.P., as borrower, Vornado Realty Trust, as general partner, and JPMorgan Chase Bank (as Administrative Agent), Bank of America, N.A. and Citicorp North American, Inc., Deutsche Bank Trust Company Americas and Fleet National Bank, and JPMorgan Chase Bank (in its individual capacity) - Incorporated by reference to Exhibit 10.2 of Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (File No. 001-11954), filed on August 8, 2003	*
10.65	—	Guaranty of Payment, made as of July 2, 2003, by Vornado Realty Trust, for the benefit of JPMorgan Chase Bank - Incorporated by reference to Exhibit 10.3 of Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (File No. 001-11954), filed on August 8, 2003	*
10.66	—	Registration Rights Agreement, dated as of July 31, 2003, by and between Vornado Realty Trust and the Unit Holders named therein - Incorporated by reference to Exhibit 10.4 of Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (File No. 001-11954), filed on November 7, 2003	*
10.67	—	Second Amendment to the Registration Rights Agreement, dated as of July 31, 2003, between Vornado Realty Trust and the Unit Holders named therein - Incorporated by reference to Exhibit 10.5 of Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (File No. 001-11954), filed on November 7, 2003	*
10.68	—	Registration Rights Agreement between Vornado and Bel Holdings LLC dated as of November 17, 2003 - Incorporated by reference to Exhibit 10.68 of Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-11954), filed on March 3, 2004	*

\* Incorporated by reference.

\*\* Management contract or compensatory agreement.

10.69	—	Registration Rights Agreement, dated as of April 9, 2003, by and between Vornado Realty Trust and the unit holders named therein - Incorporated by reference to Exhibit 10 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-114807), filed on April 23, 2004	*
10.70**	—	Promissory Note from Melvyn Blum to Vornado Realty Trust, dated March 11, 2004 - Incorporated by reference to Exhibit 10.73 of Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 (File No. 001-11954), filed on May 6, 2004	*
10.71	—	Registration Rights Agreement, dated as of October 7, 2003, between Vornado and the Unit Holder named therein - Incorporated by reference to Exhibit 10.2 to Amendment No. 1 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-120384), filed on December 2, 2004	*
10.72	—	Registration Rights Agreement, dated as of May 27, 2004, between Vornado Realty Trust and GESP 2004 Realty Corp. - Incorporated by reference to Exhibit 10.75 of Vornado Realty Trust's annual report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005	*
10.73	—	Registration Rights Agreement, dated as of December 17, 2004, between Vornado Realty Trust and Montebello Realty Corp. 2002 - Incorporated by reference to Exhibit 10.76 of Vornado Realty Trust's annual report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005	*
10.74**	—	Form of Stock Option Agreement between the Company and certain employees dated as of February 8, 2005 - Incorporated by reference to Exhibit 10.77 to Vornado Realty Trust's Annual Report on Form 10-K for the	*

year ended December 31, 2004 (File No. 001-11954), filed on February 28, 2005

10.75**	—	Form of Restricted Stock Option Agreement between the Company and certain employees dated as of February 8, 2005 - Incorporated by reference to Exhibit 10.78 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 28, 2005	*
10.76**	—	Employment Agreement between Vornado Realty Trust and Sandeep Mathrani, dated February 22, 2005 and effective as of January 1, 2005	
10.77	—	Equity Commitment Letter, dated March 17, 2005, from Vornado Realty L.P. to Global Toys Acquisition, LLC	
15.1	—	Letter regarding unaudited interim financial information	
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	

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\* Incorporated by reference.

\*\* Management contract or compensatory agreement.

Vornado Realty L.P.

To

The Bank of New York

*Trustee*

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**INDENTURE**

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*Dated as of November 25, 2003*

**SENIOR DEBT SECURITIES**

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**Certain Sections of this Indenture relating to Sections 310 through 318,  
inclusive, of the Trust Indenture Act of 1939:**

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(a)(3)	Not Applicable
(a)(4)	Not Applicable
(b)	608
	610
Section 311(a)	613
(b)	613
Section 312(a)	701
	702
(b)	702
(c)	702
Section 313(a)	703
(b)	703
(c)	703
(d)	703
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(b)	Not Applicable
(c)(1)	102
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(c)(3)	Not Applicable
(d)	Not Applicable
(e)	102
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INDENTURE, dated as of November 25, 2003, between Vornado Realty L.P., a limited partnership duly organized and existing under the laws of the State of Delaware (herein called the “Operating Partnership”) and managed by Vornado Realty Trust as its general partner, having its principal office at 888 Seventh Avenue, New York, New York 10019, and The Bank of New York, a New York banking corporation, as Trustee (herein called the “Trustee”).

RECITALS OF THE OPERATING PARTNERSHIP

The Operating Partnership, through Vornado Realty Trust, has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured debentures, notes or other evidences of indebtedness (herein called the “Securities”) to be issued in one or more series as in this Indenture provided.

All things necessary to make this Indenture a valid agreement of the Operating Partnership, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually agreed, for the equal and proportionate benefit of all Holders of the Securities or of series thereof, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS  
OF GENERAL APPLICATION

SECTION 101. *Definitions.*

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;
- (3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, and, except as otherwise herein expressly provided, the term “generally accepted accounting principles” with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States of America at the date of such computation;
- (4) unless the context otherwise requires, any reference to an “Article” or a “Section” refers to an Article or a Section, as the case may be, of this Indenture; and

- (5) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

“Act”, when used with respect to any Holder, has the meaning specified in Section 104.

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Applicable Procedures” of a Depository means, with respect to any matter at any time, the policies and procedures of such Depository, if any, that are applicable to such matter at such time.

“Authenticating Agent” means any Person authorized by the Trustee pursuant to Section 614 to act on behalf of the Trustee to authenticate Securities of one or more series.

“Board of Trustees” means either the board of trustees of Vornado Realty Trust or any duly authorized committee of that board.

“Board Resolution” means a copy of a resolution certified by the Secretary or an Assistant Secretary of Vornado Realty Trust to have been duly adopted by the Board of Trustees and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“Business Day”, when used with respect to any Place of Payment, means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that Place of Payment are authorized or obligated by law or executive order to close.

“Commission” means the Securities and Exchange Commission, from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

“Common Shares” means the common shares of beneficial interest of Vornado Realty Trust.

“Corporate Trust Office” means the principal office of the Trustee in The City of New York at which at any particular time its corporate trust business shall be administered, which office at the date hereof is located at 101 Barclay Street, New York, New York 10286, Attention: Corporate Trust Administration.

“corporation” means a corporation, association, company, limited liability company, joint-stock company or business trust.

“Covenant Defeasance” has the meaning specified in Section 1303.

“Defaulted Interest” has the meaning specified in Section 307.

“Defeasance” has the meaning specified in Section 1302.

“Depository” means, with respect to Securities of any series issuable in whole or in part in the form of one or more Global Securities, any Person that is designated to act as Depository for such Securities as contemplated by Section 301.

“Event of Default” has the meaning specified in Section 501.

“Exchange Act” means the Securities Exchange Act of 1934 and any statute successor thereto, in each case as amended from time to time.

“Expiration Date” has the meaning specified in Section 104.

“Global Security” means a Security that evidences all or part of the Securities of any series and bears the legend set forth in Section 204 (or such legend as may be specified as contemplated by Section 301 for such Securities).

“Holder” means a Person in whose name a Security is registered in the Security Register.

“Indenture” means this instrument as originally executed and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively. The term “Indenture” shall also include the terms of particular series of Securities established as contemplated by Section 301.

“interest”, when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

“Interest Payment Date”, when used with respect to any Security, means the Stated Maturity of an instalment of interest on such Security.

“Investment Company Act” means the Investment Company Act of 1940 and any statute successor thereto, in each case as amended from time to time.

“Maturity”, when used with respect to any Security, means the date on which the principal of such Security or an instalment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

“Notice of Default” means a written notice of the kind specified in Section 501(4) or 501(5).

“Officer” means the Chairman of the Board, a Vice Chairman of the Board, the President or any Vice President, the Treasurer or the Secretary, of Vornado Realty Trust.

“Officers’ Certificate” means a certificate signed by any two Officers or by any Officer and an Assistant Treasurer or an Assistant Secretary of Vornado Realty Trust or any Person designated by an Officer in writing as authorized to execute and deliver such certificate, and

delivered to the Trustee. One of the Officers signing an Officers’ Certificate given pursuant to Section 1004 shall be the principal executive, financial or accounting officer of Vornado Realty Trust.

“Operating Partnership” means the Person named as the “Operating Partnership” in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Operating Partnership” shall mean such successor Person.

“Operating Partnership Request” or “Operating Partnership Order” means a written request or order signed in the name of the Operating Partnership by the Chairman of the Board, the Vice Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Controller, the Secretary or an Assistant Secretary of Vornado Realty Trust, as general partner of the Operating Partnership, and delivered to the Trustee.

“Opinion of Counsel” means a written opinion of counsel, who may be counsel for the Operating Partnership.

“Original Issue Discount Security” means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502.

“Outstanding”, when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

- (1) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (2) Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Operating Partnership) in trust or set aside and segregated in trust by the Operating Partnership (if the Operating Partnership shall act as its own Paying Agent) for the Holders of such Securities; provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;
- (3) Securities as to which Defeasance has been effected pursuant to Section 1302; and
- (4) Securities which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Operating Partnership;

*provided, however*, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given, made or taken any request, demand, authorization, direction, notice, consent, waiver or other action hereunder as of any date, (A) the principal

amount of an Original Issue Discount Security which shall be deemed to be Outstanding shall be the amount of the principal thereof which would be due and payable as of such date upon acceleration of the Maturity thereof to such date pursuant to Section 502, (B) if, as of such date, the principal amount payable at the Stated Maturity of a Security is not determinable, the principal amount of such Security which shall be deemed to be Outstanding shall be the amount as specified or determined as contemplated by Section 301, (C) the principal amount of a Security denominated in one or more foreign currencies or currency units which shall be deemed to be Outstanding shall be the U.S. dollar equivalent, determined as of such date in the manner provided as contemplated by Section 301, of the principal amount of such Security (or, in the case of a Security described in Clause (A) or (B) above, of the amount determined as provided in such Clause), and (D) Securities owned by the Operating Partnership or any other obligor upon the Securities or any Affiliate of the Operating Partnership or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver or other action, only Securities which a Responsible Officer of the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee’s right so to act with respect to such Securities and that the pledgee is not the Operating Partnership or any other obligor upon the Securities or any Affiliate of the Operating Partnership or of such other obligor.

“Paying Agent” means any Person authorized by the Operating Partnership to pay the principal of or any premium or interest on any Securities on behalf of the Operating Partnership.

“Person” means any individual, corporation, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Place of Payment”, when used with respect to the Securities of any series, means the place or places where the principal of and any premium and interest on the Securities of that series are payable as specified as contemplated by Section 301.

“Predecessor Security” of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

“Redemption Date”, when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

“Redemption Price”, when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

“Regular Record Date” for the interest payable on any Interest Payment Date on the Securities of any series means the date specified for that purpose as contemplated by Section 301.

“Responsible Officer”, when used with respect to the Trustee, means any vice president, any assistant treasurer, any trust officer or assistant trust officer or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated

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officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Securities” has the meaning stated in the first recital of this Indenture and more particularly means any Securities authenticated and delivered under this Indenture.

“Securities Act” means the Securities Act of 1933 and any statute successor thereto, in each case as amended from time to time.

“Security Register” and “Security Registrar” have the respective meanings specified in Section 305.

“Special Record Date” for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 307.

“Stated Maturity”, when used with respect to any Security or any instalment of principal thereof or interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security or such instalment of principal or interest is due and payable.

“Subsidiary” means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Operating Partnership or by one or more other Subsidiaries, or by the Operating Partnership and one or more other Subsidiaries. For the purposes of this definition, “voting stock” means stock which ordinarily has voting power for the election of directors or trustees, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

“Trust Indenture Act” means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed; *provided, however*, that in the event the Trust Indenture Act of 1939 is amended after such date, “Trust Indenture Act” means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

“Trustee” means the Person named as the “Trustee” in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Trustee” shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, “Trustee” as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

“U.S. Government Obligation” has the meaning specified in Section 1304.

“Vice President”, when used with respect to Vornado Realty Trust or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title “vice president”.

“Vornado Realty Trust” means Vornado Realty Trust, a Maryland real estate investment trust and the general partner of the Operating Partnership, and its successors or any successor general partner of the Operating Partnership that serves as the manager thereof.

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## SECTION 102. *Compliance Certificates and Opinions.*

Upon any application or request by the Operating Partnership to the Trustee to take any action under any provision of this Indenture, the Operating Partnership shall furnish to the Trustee such certificates and opinions as may be required under the Trust Indenture Act. Each such certificate or opinion shall be given in the form of an Officers’ Certificate, if to be given by an officer of Vornado Realty Trust on behalf of the Operating Partnership, or an Opinion of Counsel, if to be given by counsel, and shall comply with the requirements of the Trust Indenture Act and any other requirements set forth in this Indenture.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (except for certificates provided for in Section 1004) shall include,

- (1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (3) a statement that, in the opinion of each such individual, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

## SECTION 103. *Form of Documents Delivered to Trustee.*

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of Vornado Realty Trust on behalf of the Operating Partnership may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion of counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of Vornado Realty Trust stating that the information with respect to such factual matters is in the possession of Vornado Realty Trust, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

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Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

#### SECTION 104. *Acts of Holders; Record Dates.*

Any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given, made or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Operating Partnership. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Operating Partnership, if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

The ownership of Securities shall be proved by the Security Register.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Operating Partnership in reliance thereon, whether or not notation of such action is made upon such Security.

The Operating Partnership may, in the circumstances permitted by the Trust Indenture Act, set any day as a record date for the purpose of determining the Holders of Outstanding Securities of any series entitled to give, make or take any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given, made or taken by Holders of Securities of such series, provided that the Operating Partnership may not set a record date for, and the provisions of this paragraph shall not apply with respect to, the giving or making of any notice, declaration, request or direction referred to in the next paragraph. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities of the relevant series on such record date, and no other Holders, shall be entitled to take the relevant action, whether or not such Holders remain Holders after such record date; provided that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite principal amount of Outstanding Securities of such series on such record date. Nothing in this paragraph shall be construed to prevent the Operating

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Partnership from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), and nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities of the relevant series on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Operating Partnership, at its own expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Trustee in writing and to each Holder of Securities of the relevant series in the manner set forth in Section 106.

The Trustee may set any day as a record date for the purpose of determining the Holders of Outstanding Securities of any series entitled to join in the giving or making of (i) any Notice of Default, (ii) any declaration of acceleration referred to in Section 502, (iii) any request to institute proceedings referred to in Section 507(2) or (iv) any direction referred to in Section 512, in each case with respect to Securities of such series. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities of such series on such record date, and no other Holders, shall be entitled to join in such notice, declaration, request or direction, whether or not such Holders remain Holders after such record date; provided that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite principal amount of Outstanding Securities of such series on such record date. Nothing in this paragraph shall be construed to prevent the Trustee from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), and nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities of the relevant series on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Trustee, at the Operating Partnership's expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Operating Partnership in writing and to each Holder of Securities of the relevant series in the manner set forth in Section 106.

With respect to any record date set pursuant to this Section, the party hereto which sets such record dates may designate any day as the “Expiration Date” and from time to time may change the Expiration Date to any earlier or later day; provided that no such change shall be effective unless notice of the proposed new Expiration Date is given to the other party hereto in writing, and to each Holder of Securities of the relevant series in the manner set forth in Section 106, on or prior to the existing Expiration Date. If an Expiration Date is not designated with respect to any record date set pursuant to this Section, the party hereto which set such record date shall be deemed to have initially designated the 180th day after such record date as the Expiration Date with respect thereto, subject to its right to change the Expiration Date as provided in this paragraph. Notwithstanding the foregoing, no Expiration Date shall be later than the 180th day after the applicable record date.

Without limiting the foregoing, a Holder entitled hereunder to take any action hereunder with regard to any particular Security may do so with regard to all or any part of the principal amount of such Security or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any part of such principal amount.

*SECTION 105. Notices, Etc., to Trustee and Operating Partnership.*

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Operating Partnership shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Administration, or

(2) the Operating Partnership by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Operating Partnership addressed to it at the address of its principal office specified in the first paragraph of this instrument, Attention: Joseph Macnow, Executive Vice President–Finance and Administration, Chief Financial Officer, or at any other address previously furnished in writing to the Trustee by the Operating Partnership.

*SECTION 106. Notice to Holders; Waiver.*

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his or her address as it appears in the Security Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Where this Indenture provides for notice of any event to a Holder of a Global Security, such notice shall be sufficiently given if given to the Depository for such Security (or its designee), pursuant to its Applicable Procedures, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice.

*SECTION 107. Conflict with Trust Indenture Act.*

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under such Act to be a part of and govern this Indenture, the latter provision shall control. If any provision of this Indenture modifies or excludes any provision of

the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

*SECTION 108. Effect of Headings and Table of Contents.*

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

*SECTION 109. Successors and Assigns.*

All covenants and agreements in this Indenture by the Operating Partnership shall bind its successors and assigns, whether so expressed or not.

*SECTION 110. Separability Clause.*

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

*SECTION 111. Benefits of Indenture.*

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 112. *Governing Law.*

This Indenture and the Securities shall be governed by and construed in accordance with the law of the State of New York.

SECTION 113. *Legal Holidays.*

In any case where any Interest Payment Date, Redemption Date or Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of the Securities (other than a provision of any Security which specifically states that such provision shall apply in lieu of this Section)) payment of interest or principal (and premium, if any) need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Maturity, provided that no interest shall accrue with respect to such payment for the period from and after such Interest Payment Date, Redemption Date or Maturity, as the case may be to the date of such payment.

SECTION 114. *Limited Liability; Immunity of Shareholders, Partners, Trustees, Officers and Agents of the Operating Partnership and Vornado Realty Trust.*

Notwithstanding any other provision of this Indenture or of the Securities of any series to the contrary, no recourse shall be had, whether by levy or execution or otherwise, for the payment of any sums due under any Security, including, without limitation, the principal of, premium, if any, or interest payable under any Security, or for the payment or performance of any

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obligation, covenant or agreement under, or for any claim based on, this Indenture or any Security or otherwise in respect of this Indenture or any Security, against any partner of the Operating Partnership, whether limited or general, including Vornado Realty Trust, as general partner, or any successor of any such partner or any such partner's or successor's assets or against any principal, shareholder, member, officer, director, trustee or employee of any such partner or successor, under any rule of law, statute or constitution, or by the enforcement of any assessment or penalty or by any legal or equitable proceeding or otherwise, nor shall any of such parties be personally liable for any such amounts, obligations or claims, or liable for any deficiency judgment based thereon or with respect thereto, it being expressly understood that the sole remedies hereunder or under any other document with respect to the Securities against such parties with respect to such amounts, obligations or claims shall be against the Operating Partnership and that all such liability of such parties is and is to be, by the acceptance hereof, expressly waived and released as a condition of, and as consideration for, the execution of this Indenture and by the acceptance of the Securities by the Holders and as part of the consideration for the issue of the Securities.

ARTICLE TWO

SECURITY FORMS

SECTION 201. *Forms Generally.*

The Securities of each series shall be in substantially the form set forth in this Article, or in such other form as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or Depository therefor or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution thereof. If the form of Securities of any series is established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of Vornado Realty Trust and delivered to the Trustee at or prior to the delivery of the Operating Partnership Order contemplated by Section 303 for the authentication and delivery of such Securities.

The definitive Securities shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

SECTION 202. *Form of Face of Security.*

[Insert any legend required by the Internal Revenue Code and the regulations thereunder.]

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Vornado Realty L.P.

No.

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CUSIP No.

VORNADO REALTY L.P., a limited partnership duly organized and existing under the laws of the State of Delaware (herein called the "Operating Partnership", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to \_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_ Dollars on \_\_\_\_\_ [if this Security is to bear interest prior to Maturity, insert - , and to pay interest thereon from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on \_\_\_\_\_ and \_\_\_\_\_ in each year, commencing \_\_\_\_\_ and at the Maturity thereof, at the rate of [ \_\_\_\_%] per annum, until the principal hereof is paid or made available for payment, [if applicable, insert - provided that any principal and premium, and any such instalment of interest, which is overdue shall bear interest at the rate of [ \_\_\_\_%] per annum (to the extent that the payment of such interest shall be legally enforceable), from the dates such amounts are due until they are paid or made available for payment, and such interest shall be payable on demand]. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be



the or (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest so payable, but not punctually paid or duly provided for, on any Interest Payment Date will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.]

[If the Security is not to bear interest prior to Maturity, insert - The principal of this Security shall not bear interest except in the case of a default in payment of principal upon acceleration, upon redemption or at Stated Maturity and in such case the overdue principal and any overdue premium shall bear interest at the rate of % per annum (to the extent that the payment of such interest shall be legally enforceable), from the dates such amounts are due until they are paid or made available for payment.]

Payment of the principal of (and premium, if any) and [if applicable, insert - any such] interest on this Security will be made at the office or agency of the Operating Partnership maintained for that purpose in New York, New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, against surrender of this Security in the case of any payment due at the Maturity of the principal hereof (other than any payment of interest that first becomes payable on a day other than an Interest Payment Date); provided, however, that at the option of the Operating Partnership

payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register; and provided, further, that if this Security is a Global Security, payment may be made pursuant to the Applicable Procedures of the Depository as permitted in said Indenture.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, Vornado Realty Trust, the general partner of the Operating Partnership, has caused this instrument to be duly executed under its trust seal.

VORNADO REALTY L.P.

By: Vornado Realty Trust,  
its general partner

By \_\_\_\_\_

Attest:

\_\_\_\_\_

SECTION 203. Form of Reverse of Security.

This Security is one of a duly authorized issue of securities of the Operating Partnership (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of , (herein called the "Indenture", which term shall have the meaning assigned to it in such instrument), between the Operating Partnership and The Bank of New York, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Operating Partnership, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof [if applicable, insert - [initially] limited in aggregate principal amount to \$ ] [, provided that the Operating Partnership may, without the consent of any Holder, at any time and from time to time increase the initial principal amount].

[If applicable, insert - The Securities of this series are subject to redemption upon not less than 30 days' nor more than 60 days' notice by mail, [if applicable, insert- (1) on in any year commencing with the year and ending with the year through operation of the sinking fund for this series at a Redemption Price equal to 100% of the principal amount, and (2)] at any time [if applicable, insert - on or after , 20 ], as a whole or in part,

at the election of the Operating Partnership, at the following Redemption Prices (expressed as percentages of the principal amount): If redeemed during the 12-month period beginning of the years indicated,

Year	Redemption Price	Year	Redemption Price

and thereafter at a Redemption Price equal to \_\_\_\_\_ % of the principal amount, together in the case of any such redemption [(whether through operation of the sinking fund or otherwise)] with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.]

*[If applicable, insert – The sinking fund for this series provides for the redemption on \_\_\_\_\_ in each year beginning with the year \_\_\_\_\_ and ending with the year \_\_\_\_\_ of [if applicable, insert- not less than \$ \_\_\_\_\_ (“mandatory sinking fund”) and not more than] \$ \_\_\_\_\_ aggregate principal amount of Securities of this series. Securities of this series acquired or redeemed by the Operating Partnership otherwise than through [if applicable, insert- mandatory] sinking fund payments may be credited against subsequent [if applicable, insert - mandatory] sinking fund payments otherwise required to be made [if applicable, insert - , in the inverse order in which they become due].]*

*[If the Security is subject to redemption of any kind, insert – In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.]*

*[If applicable, insert – The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security or certain restrictive covenants and Events of Default with respect to this Security, in each case upon compliance with certain conditions set forth in the Indenture.]*

*[If the Security is not an Original Issue Discount Security, insert – If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.]*

*[If the Security is an Original Issue Discount Security, insert – If an Event of Default with respect to Securities of this series shall occur and be continuing, an amount of principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture. Such amount shall be equal to – insert formula for determining the amount. Upon payment (i) of the amount of principal so declared due and payable and (ii) of interest on any overdue principal, premium and interest (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Operating Partnership’s obligations in respect of the payment of the principal of and premium and interest, if any, on the Securities of this series shall terminate.]*

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The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Operating Partnership and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Operating Partnership and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions (i) permitting the Holders of not less than a majority in principal amount of the Securities of any series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Operating Partnership with certain provisions of the Indenture with respect to such series and (ii) permitting the Holders of a majority in principal amount of the Securities at the time Outstanding of any series to be affected under the Indenture (with each such series considered separately for this purpose), on behalf of the Holders of all Securities of such series, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Operating Partnership, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Operating Partnership in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Operating Partnership and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like

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aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Operating Partnership may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Operating Partnership, the Trustee and any agent of the Operating Partnership or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Operating Partnership, the Trustee nor any such agent shall be affected by notice to the contrary.

*[If applicable, insert – This Security is a Global Security and is subject to the provisions of the Indenture relating to Global Securities, including the limitations in Section 305 thereof on transfers and exchanges of Global Securities.]*

*[If applicable, insert – Interest on the principal balance of this Security shall be calculated on the basis of a [365- or 366-day year, as appropriate, for the actual number of days elapsed] [360-day year of twelve 30-day months]]*

**THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.**

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

**SECTION 204. Form of Legend for Global Securities.**

Unless otherwise specified as contemplated by Section 301 for the Securities evidenced thereby, every Global Security authenticated and delivered hereunder shall bear a legend in substantially the following form:

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

**SECTION 205. Form of Trustee's Certificate of Authentication.**

The Trustee's certificates of authentication shall be in substantially the following form:

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This is one of the Securities of the series designated herein and referred to in the within-mentioned Indenture.

Dated:

THE BANK OF NEW YORK,  
As Trustee

By \_\_\_\_\_  
Authorized Signatory

ARTICLE THREE

THE SECURITIES

**SECTION 301. Amount Unlimited; Issuable in Series.**

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. There shall be established in or pursuant to a Board Resolution and, subject to Section 303, set forth, or determined in the manner provided, in an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of any series,

- (1) the title of the Securities of the series (which shall distinguish the Securities of the series from Securities of any other series);
- (2) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 304, 305, 306, 906 or 1107 and except for any Securities which, pursuant to Section 303, are deemed never to have been authenticated and delivered hereunder);
- (3) the Person to whom any interest on a Security of the series shall be payable, if other than the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest;
- (4) the date or dates on which the principal of any Securities of the series is payable;
- (5) the rate or rates at which any Securities of the series shall bear interest, if any, the date or dates from which any such interest shall accrue, the Interest Payment Dates on which any such interest shall be payable and the Regular Record Date for any such interest payable on any Interest Payment Date;

(6) the place or places where the principal of and any premium and interest on any Securities of the series shall be payable and the manner in which any payment may be made;

(7) the period or periods within which, the price or prices at which and the terms and conditions upon which any Securities of the series may be redeemed, in whole or in part, at the option of the Operating Partnership and, if other than by a Board Resolution, the manner in which any election by the Operating Partnership to redeem the Securities shall be evidenced;

(8) the obligation, if any, of the Operating Partnership to redeem or purchase any Securities of the series pursuant to any sinking fund or analogous provisions or at the option of the Holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which any Securities of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(9) if other than denominations of \$1,000 and any integral multiple thereof, the denominations in which any Securities of the series shall be issuable;

(10) if the amount of principal of or any premium or interest on any Securities of the series may be determined with reference to a financial or economic measure or pursuant to a formula, the manner in which such amounts shall be determined;

(11) if other than the currency of the United States of America, the currency, currencies or currency units in which the principal of or any premium or interest on any Securities of the series shall be payable and the manner of determining the equivalent thereof in the currency of the United States of America for any purpose, including for the purposes of making payment in the currency of the United States of America and applying the definition of "Outstanding" in Section 101;

(12) if the principal of or any premium or interest on any Securities of the series is to be payable, at the election of the Operating Partnership or the Holder thereof, in one or more currencies or currency units other than that or those in which such Securities are stated to be payable, the currency, currencies or currency units in which the principal of or any premium or interest on such Securities as to which such election is made shall be payable, the periods within which and the terms and conditions upon which such election is to be made and the amount so payable (or the manner in which such amount shall be determined);

(13) if other than the entire principal amount thereof, the portion of the principal amount of any Securities of the series which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 502;

(14) if the principal amount payable at the Stated Maturity of any Securities of the series will not be determinable as of any one or more dates prior to the Stated Maturity, the amount which shall be deemed to be the principal amount of such Securities as of any such date for any purpose thereunder or hereunder, including the principal amount thereof which shall be due and payable upon any Maturity other than the Stated Maturity or which shall be deemed to be Outstanding as of any date prior to the Stated

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Maturity (or, in any such case, the manner in which such amount deemed to be the principal amount shall be determined);

(15) if applicable, that the Securities of the series, shall be subject to either or both of Defeasance or Covenant Defeasance as provided in Article Thirteen; provided that no series of Securities that is exchangeable for Common Shares or other securities pursuant to Section 301(19) shall be subject to Defeasance pursuant to Section 1302.

(16) if applicable, that any Securities of the series shall be issuable in whole or in part in the form of one or more Global Securities and, in such case, the respective Depositaries for such Global Securities, the form of any legend or legends which shall be borne by any such Global Security in addition to or in lieu of that set forth in Section 204 and any addition to, elimination of or other changes in the circumstances set forth in Clause (2) of the last paragraph of Section 305 in which any such Global Security may be exchanged in whole or in part for Securities registered, and any transfer of such Global Security in whole or in part may be registered, in the name or names of Persons other than the Depositary for such Global Security or a nominee thereof;

(17) any addition to, elimination of or other change in the Events of Default which applies to any Securities of the series and any change in the right of the Trustee or the requisite Holders of such Securities to declare the principal amount thereof due and payable pursuant to Section 502;

(18) any addition to, elimination of or other change in the covenants set forth in Article Ten which applies to Securities of the series;

(19) the terms and conditions, if any, pursuant to which the Securities are exchangeable for Common Shares or other securities; and

(20) any other terms of the series (which terms shall not be inconsistent with the provisions of this Indenture, except as permitted by Section 901(5)).

All Securities of any one series shall be substantially identical except as to denomination and except as may otherwise be provided in or pursuant to the Board Resolution referred to above and (subject to Section 303) set forth, or determined in the manner provided, in the Officers' Certificate referred to above or in any such indenture supplemental hereto. All Securities of any one series need not be issued at one time and, unless otherwise provided or contemplated by this Section 301 with respect to a series of Securities, additional Securities of a series may be issued at the option of the Operating Partnership, without the consent of any Holder, at any time and from time to time.

If any of the terms of the series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of Vornado Realty Trust on behalf of the Operating Partnership and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the series.

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SECTION 302. *Denominations.*

The Securities of each series shall be issuable only in registered form without coupons and only in such denominations as shall be specified as contemplated by Section 301. In the absence of any such specified denomination with respect to the Securities of any series, the Securities of such series shall be issuable in denominations of \$1,000 and any integral multiple thereof.

SECTION 303. *Execution, Authentication, Delivery and Dating.*

The Securities shall be executed on behalf of the Operating Partnership by Vornado Realty Trust, as general partner, by the Chairman of the Board, the Vice Chairman of the Board, the President or one of the Vice Presidents, under the trust seal reproduced thereon attested by the Secretary, one of the Assistant Secretaries or other authorized Person of Vornado Realty Trust. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of Vornado Realty Trust shall bind the Operating Partnership, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Operating Partnership may deliver Securities of any series executed by the Operating Partnership to the Trustee for authentication, together with an Operating Partnership Order for the authentication and delivery of such Securities, and the Trustee in accordance with the Operating Partnership Order shall authenticate and deliver such Securities. If the form or terms of the Securities of the series have been established by or pursuant to one or more Board Resolutions as permitted by Sections 201 and 301, in authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating,

- (1) if the form of such Securities has been established by or pursuant to Board Resolution as permitted by Section 201, that such form has been established in conformity with the provisions of this Indenture;
- (2) if the terms of such Securities have been established by or pursuant to Board Resolution as permitted by Section 301, that such terms have been established in conformity with the provisions of this Indenture; and
- (3) that such Securities, when authenticated and delivered by the Trustee and issued by the Operating Partnership in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Operating Partnership enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

If such form or terms have been so established, the Trustee shall not be required to authenticate such Securities if the issue of such Securities pursuant to this Indenture

will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

Notwithstanding the provisions of Section 301 and of the preceding paragraph, if all Securities of a series are not to be originally issued at one time, including where the size of an Outstanding series of Securities is increased as contemplated by Section 301, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 301 or the Operating Partnership Order and Opinion of Counsel otherwise required pursuant to such preceding paragraph at or prior to the authentication of each Security of such series if such documents are delivered at or prior to the authentication upon original issuance of the first Security of such series to be issued.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Operating Partnership, and the Operating Partnership shall deliver such Security to the Trustee for cancellation as provided in Section 309, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

SECTION 304. *Temporary Securities.*

Pending the preparation of definitive Securities of any series, the Operating Partnership may execute, and upon Operating Partnership Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities of any series are issued, the Operating Partnership will cause definitive Securities of that series to be prepared without unreasonable delay. After the preparation of definitive Securities of such series, the temporary Securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Operating Partnership in a Place of Payment for that series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series, the Operating Partnership shall execute and the Trustee shall authenticate and deliver in exchange therefor one or more definitive Securities of the same series, of any authorized denominations and of like tenor and aggregate principal amount. Until so exchanged, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series and tenor.

SECTION 305. *Registration, Registration of Transfer and Exchange.*

The Operating Partnership shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency of the Operating Partnership in a Place of Payment being herein sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Operating Partnership shall provide for the registration of Securities and of transfers of Securities. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security of a series at the office or agency of the Operating Partnership in a Place of Payment for that series, the Operating Partnership shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series, of any authorized denominations and of like tenor and aggregate principal amount.

At the option of the Holder, Securities of any series may be exchanged for other Securities of the same series, of any authorized denominations and of like tenor and aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Operating Partnership shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Operating Partnership, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Operating Partnership or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Operating Partnership and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Operating Partnership may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 906 or 1107 not involving any transfer.

If the Securities of any series (or of any series and specified tenor) are to be redeemed in part, the Operating Partnership shall not be required (A) to issue, register the transfer of or exchange any Securities of that series (or of that series and specified tenor, as the case may be) during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of any such Securities selected for redemption under Section 1103 and ending at the close of business on the day of such mailing, or (B) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

The provisions of Clauses (1), (2), (3) and (4) below shall apply only to Global Securities:

(1) Each Global Security authenticated under this Indenture shall be registered in the name of the Depository designated for such Global Security or a nominee thereof and delivered to such Depository or a nominee thereof or custodian therefor, and each such Global Security shall constitute a single Security for all purposes of this Indenture.

(2) Notwithstanding any other provision in this Indenture, and subject to such applicable provisions, if any, as may be specified as contemplated by Section 301, no Global Security may be exchanged in whole or in part for Securities registered, and no transfer of a Global Security in whole or in part may be registered, in the name of any Person other than the Depository for such Global Security or a nominee thereof unless (A) such Depository has notified the Operating Partnership that it is unwilling or unable or no longer permitted under applicable law to continue as Depository for such Global Security or (B) there shall have occurred and be continuing an Event of Default with respect to such Global Security or (C) the Operating Partnership so directs the Trustee by Company Order or (D) there shall exist such circumstances, if any, in addition to or in lieu of the foregoing as have been specified for this purpose as contemplated by Section 301.

(3) Subject to Clause (2) above and to such applicable provisions, if any, as may be specified as contemplated by Section 301, any exchange of a Global Security for other Securities may be made in whole or in part, and all Securities issued in exchange for a Global Security or any portion thereof shall be registered in such names as the Depository for such Global Security shall direct.

(4) Every Security authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, a Global Security or any portion thereof, whether pursuant to this Section, Section 304, 306, 906 or 1107 or otherwise, shall be authenticated and delivered in the form of, and shall be, a Global Security, unless such Security is registered in the name of a Person other than the Depository for such Global Security or a nominee thereof.

SECTION 306. *Mutilated, Destroyed, Lost and Stolen Securities.*

If any mutilated Security is surrendered to the Trustee, the Operating Partnership shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Operating Partnership and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Operating Partnership or the Trustee that such Security has been acquired by a bona fide purchaser, the Operating Partnership shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a

new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Operating Partnership in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Operating Partnership may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any series issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Operating Partnership, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

#### SECTION 307. *Payment of Interest; Interest Rights Preserved.*

Except as otherwise provided as contemplated by Section 301 with respect to any series of Securities, interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest or, if no business is conducted by the Trustee at its Corporate Trust Office on such date, at 5:00 P.M., New York City time, on such date.

Any interest on any Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Operating Partnership, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Operating Partnership may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Operating Partnership shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security of such series and the date of the proposed payment, and at the same time the Operating Partnership shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such

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Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Operating Partnership of such Special Record Date and, in the name and at the expense of the Operating Partnership, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be given to each Holder of Securities of such series in the manner set forth in Section 106, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Operating Partnership may make payment of any Defaulted Interest on the Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Operating Partnership to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

Except as may be provided in this Section 307 or as contemplated in Section 301 with respect to any Securities of a series, the Person to whom interest shall be payable on any Security that first becomes payable on a day that is not an Interest Payment Date shall be the Holder of such Security on the day such interest is paid.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

#### SECTION 308. *Persons Deemed Owners.*

Prior to due presentment of a Security for registration of transfer, the Operating Partnership, the Trustee and any agent of the Operating Partnership or the Trustee may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of and any premium and (subject to Section 307) any interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Operating Partnership, the Trustee nor any agent of the Operating Partnership or the Trustee shall be affected by notice to the contrary.

#### SECTION 309. *Cancellation.*

All Securities surrendered for payment, redemption, registration of transfer or exchange or for credit against any sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Operating Partnership may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Operating Partnership may have acquired in

Partnership has not issued and sold, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of as directed by an Operating Partnership Order; *provided, however*, that the Trustee shall not be required to destroy such cancelled Securities.

SECTION 310. *Computation of Interest.*

Except as otherwise specified as contemplated by Section 301 for Securities of any series, interest on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 311. *CUSIP Numbers.*

The Operating Partnership in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders, provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of redemption and that reliance may be placed only on the other identification numbers printed on the Securities. Any such redemption shall not be affected by any defect in or omission of such numbers.

ARTICLE FOUR

SATISFACTION AND DISCHARGE

SECTION 401. *Satisfaction and Discharge of Indenture.*

This Indenture shall upon Operating Partnership Request cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of any Security expressly provided for herein or in the terms of such Security), and the Trustee, at the expense of the Operating Partnership, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

- (1) either
  - (A) all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306 and (ii) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Operating Partnership and thereafter repaid to the Operating Partnership or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or
  - (B) all such Securities not theretofore delivered to the Trustee for cancellation

- (i) have become due and payable, or
- (ii) will become due and payable at their Stated Maturity within one year, or
- (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Operating Partnership,

and the Operating Partnership, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose money in an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal and any premium and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

- (2) the Operating Partnership has paid or caused to be paid all other sums payable hereunder by the Operating Partnership; and
- (3) the Operating Partnership has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Operating Partnership to the Trustee under Section 607, the obligations of the Trustee to any Authenticating Agent under Section 614 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of Clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. *Application of Trust Money.*

Subject to the provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Operating Partnership acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal and any premium and interest for whose payment such money has been deposited with the Trustee.



SECTION 501. *Events of Default.*

“Event of Default”, wherever used herein with respect to Securities of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment,

decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (1) default in the payment of any interest upon any Security of that series when it becomes due and payable, and continuance of such default for a period of 30 days; or
- (2) default in the payment of the principal of or any premium, if any, on any Security of that series at its Maturity; or
- (3) default in the deposit of any sinking fund payment, when and as due by the terms of a Security of that series; or
- (4) default in the performance, or breach, of any covenant or warranty of the Operating Partnership in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with or which has expressly been included in this Indenture solely for the benefit of series of Securities other than that series), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Operating Partnership by the Trustee or to the Operating Partnership and the Trustee by the Holders of at least 10% in principal amount of the Outstanding Securities of that series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” hereunder; or
- (5) a default under any bond, debenture, note or other evidence of indebtedness for money borrowed by the Operating Partnership (including a default with respect to Securities of any series other than that series) having an aggregate principal amount outstanding of at least \$50,000,000, or under any mortgage, indenture or instrument (including this Indenture) under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by the Operating Partnership having an aggregate principal amount outstanding of at least \$50,000,000, whether such indebtedness now exists or shall hereafter be created, which default (A) shall constitute a failure to pay any portion of the principal of such indebtedness when due and payable after the expiration of any applicable grace period with respect thereto or (B) shall have resulted in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, without, in the case of Clause (A), such indebtedness having been discharged or without, in the case of Clause (B), such indebtedness having been discharged or such acceleration having been rescinded or annulled, in each such case within a period of 10 days after there shall have been given, by registered or certified mail, to the Operating Partnership by the Trustee or to the Operating Partnership and the Trustee by the Holders of at least 10% in principal amount of the Outstanding Securities of that series a written notice specifying such default and requiring the Operating Partnership to cause such indebtedness to be discharged or cause such acceleration to be rescinded or annulled, as the case may be, and stating that such notice is a “Notice of Default” hereunder; *provided, however*, that, subject to the provisions of Sections 601 and 602, the Trustee shall not be deemed to have knowledge of such default unless either (A) a Responsible Officer of the Trustee shall have knowledge of such default or (B) the Trustee shall have received written notice thereof from the Operating Partnership, from any Holder, from the holder of any such

indebtedness or from the trustee under any such mortgage, indenture or other instrument; or

- (6) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Operating Partnership in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Operating Partnership a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Operating Partnership under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Operating Partnership or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or
- (7) the commencement by the Operating Partnership of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Operating Partnership in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Operating Partnership or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Operating Partnership in furtherance of any such action; or
- (8) any other Event of Default provided with respect to Securities of that series.

SECTION 502. *Acceleration of Maturity; Rescission and Annulment.*

If an Event of Default (other than an Event of Default specified in Section 501(6) or 501(7)) with respect to Securities of any series at the time Outstanding occurs and is continuing, then in every such case the Trustee, upon receipt of a request from the Holders of not less than 25% in principal amount of the Outstanding Securities of that series, shall, or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series may, declare the principal amount of all the Securities of that series (or, if any Securities of that series are Original Issue Discount Securities, such portion of the

principal amount of such Securities as may be specified by the terms thereof) to be due and payable immediately, by a notice in writing to the Operating Partnership (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable. If an Event of Default specified in Section 501(6) or 501 (7) with respect to Securities of any series at the time Outstanding occurs, the principal amount of all the Securities of that series (or, if any Securities of that series are Original Issue Discount Securities, such portion of the principal

amount of such Securities as may be specified by the terms thereof) shall automatically, and without any declaration or other action on the part of the Trustee or any Holder, become immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities of that series, by written notice to the Operating Partnership and the Trustee, may rescind and annul such declaration and its consequences if

- (1) the Operating Partnership has paid or deposited with the Trustee a sum sufficient to pay
  - (A) all overdue interest on all Securities of that series,
  - (B) the principal of (and premium, if any, on) any Securities of that series which have become due otherwise than by such declaration of acceleration and any interest thereon at the rate or rates prescribed therefor in such Securities,
  - (C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in such Securities, and
  - (D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and
- (2) all Events of Default with respect to Securities of that series, other than the non-payment of the principal of Securities of that series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

*SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee.*

The Operating Partnership covenants that if

- (1) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or
- (2) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof,

the Operating Partnership will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal and any premium and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal and premium and on any overdue interest, at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the

reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

*SECTION 504. Trustee May File Proofs of Claim.*

In case of any judicial proceeding relative to the Operating Partnership (or any other obligor upon the Securities), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under the Trust Indenture Act in order to have claims of the Holders and the Trustee allowed in any such proceeding. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607.

No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding; *provided, however*, that the Trustee may, on behalf of the Holders, vote for the election of a trustee in bankruptcy or similar official and be a member of a creditors' or other similar committee.

*SECTION 505. Trustee May Enforce Claims Without Possession of Securities.*

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

*SECTION 506. Application of Money Collected.*

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or any premium or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

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FIRST: To the payment of all amounts due the Trustee under Section 607; and

SECOND: To the payment of the amounts then due and unpaid for principal of and any premium and interest on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal and any premium and interest, respectively.

*SECTION 507. Limitation on Suits.*

No Holder of any Security of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

- (1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;
- (2) the Holders of not less than 25% in principal amount of the Outstanding Securities of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;
- (3) such Holder or Holders have offered to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request;
- (4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of that series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

*SECTION 508. Unconditional Right of Holders to Receive Principal, Premium and Interest.*

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and any premium and (subject to Section 307) interest on such Security on the respective Stated Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

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*SECTION 509. Restoration of Rights and Remedies.*

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Operating Partnership, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

*SECTION 510. Rights and Remedies Cumulative.*

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

*SECTION 511. Delay or Omission Not Waiver.*

No delay or omission of the Trustee or of any Holder of any Securities to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 512. *Control by Holders.*

The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Securities of such series, provided that

- (1) such direction shall not be in conflict with any rule of law or with this Indenture, and
- (2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 513. *Waiver of Past Defaults.*

The Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past default hereunder with respect to such series and its consequences, except a default

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- (1) in the payment of the principal of or any premium or interest on any Security of such series, or
- (2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 514. *Undertaking for Costs.*

In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess costs against any such party litigant, in the manner and to the extent provided in the Trust Indenture Act, *provided* that neither this Section nor the Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Trustee or the Operating Partnership.

SECTION 515. *Waiver of Usury, Stay or Extension Laws.*

The Operating Partnership covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Operating Partnership (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

THE TRUSTEE

SECTION 601. *Certain Duties and Responsibilities.*

The duties and responsibilities of the Trustee shall be as provided by the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

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SECTION 602. *Notice of Defaults.*

If a default occurs hereunder with respect to Securities of any series, the Trustee shall give the Holders of Securities of such series notice of such default as and to the extent provided by the Trust Indenture Act; *provided, however*, that in the case of any default of the character specified in Section 501(4) with respect to Securities of such series, no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

SECTION 603. *Certain Rights of Trustee.*

Subject to the provisions of Section 601:

(1) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(2) any request or direction of the Operating Partnership mentioned herein shall be sufficiently evidenced by an Operating Partnership Request or Operating Partnership Order, and any resolution of the Board of Trustees shall be sufficiently evidenced by a Board Resolution;

(3) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(4) the Trustee may consult with counsel of its selection and the advice of such counsel (to be confirmed in writing) or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(5) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(6) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to

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examine the books, records and premises of the Operating Partnership, personally or by agent or attorney;

(7) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(8) the Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(9) the Trustee shall not be deemed to have notice of any default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Securities and this Indenture;

(10) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder; and

(11) The Trustee may request that the Company deliver an Officers' Certificate setting forth the names of individuals and or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

*SECTION 604. Not Responsible for Recitals or Issuance of Securities.*

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Operating Partnership, and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Operating Partnership of Securities or the proceeds thereof.

*SECTION 605. May Hold Securities.*

The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Operating Partnership, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 608 and 613, may otherwise deal with the Operating Partnership with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

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*SECTION 606. Money Held in Trust.*

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Operating Partnership.

*SECTION 607. Compensation and Reimbursement.*

The Operating Partnership agrees

(1) to pay to the Trustee from time to time such compensation as the Operating Partnership and the Trustee shall from time to time agree in writing for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee and any predecessor Trustee for, and to hold it harmless against, any and all loss, liability or expense including taxes (other than taxes imposed on the income of the Trustee) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

The Trustee shall have a lien prior to the Securities as to all property and funds held by it hereunder for any amount owing it or any predecessor Trustee pursuant to this Section 607 except with respect to funds held in trust for the benefit of the Holders of particular Securities. When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 501(6) or Section 501(7), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or State bankruptcy, insolvency or other similar law.

The provisions of this Section shall survive the termination of this Indenture.

*SECTION 608. Disqualification; Conflicting Interests.*

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture. To the extent permitted by such Act, the Trustee shall not be deemed to have a conflicting interest by virtue of being a trustee under this Indenture with respect to Securities of more than one series.

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*SECTION 609. Corporate Trustee Required; Eligibility.*

There shall at all times be one (and only one) Trustee hereunder with respect to the Securities of each series, which may be Trustee hereunder for Securities of one or more other series. Each Trustee shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least \$50,000,000. If any such Person publishes reports of condition at least annually, pursuant to law or to the requirements of its supervising or examining authority, then for the purposes of this Section and to the extent permitted by the Trust Indenture Act, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee with respect to the Securities of any series shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

*SECTION 610. Resignation and Removal; Appointment of Successor.*

No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 611.

The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Operating Partnership.

The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and to the Operating Partnership.

If at any time:

(1) the Trustee shall fail to comply with Section 608 after written request therefor by the Operating Partnership or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Operating Partnership or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (A) the Operating Partnership by a Board Resolution may remove the Trustee with respect to all Securities, or (B) subject to Section 514, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

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If the instrument of acceptance by a successor Trustee required by Section 611 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation or removal, the Trustee resigning or being removed may petition, at the expense of the Operating Partnership, any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Securities of one or more series, the Operating Partnership, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 611. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Operating Partnership and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 611, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Operating Partnership. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Operating Partnership or the Holders and accepted appointment in the manner required by Section 611, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

The Operating Partnership shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series to all Holders of Securities of such series in the manner provided in Section 106. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

SECTION 611. *Acceptance of Appointment by Successor.*

In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Operating Partnership and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Operating Partnership or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Operating Partnership, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an

indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Operating Partnership or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

Upon request of any such successor Trustee, the Operating Partnership shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in the first or second preceding paragraph, as the case may be.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 612. *Merger, Conversion, Consolidation or Succession to Business.*

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 613. *Preferential Collection of Claims Against Operating Partnership.*

If and when the Trustee shall be or become a creditor of the Operating Partnership (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust

SECTION 614. *Appointment of Authenticating Agent.*

The Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issue and upon exchange, registration of transfer, or partial redemption thereof or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Operating Partnership and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Operating Partnership. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Operating Partnership. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Operating Partnership and shall give notice of such appointment in the manner provided in Section 106 to all Holders of Securities of the series with respect to which such Authenticating Agent will serve. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

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The Operating Partnership agrees to pay to each Authenticating Agent from time to time such compensation for its services under this Section as the Operating Partnership and the Authenticating Agent shall from time to time agree in writing.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK,  
*As Trustee*

By \_\_\_\_\_,  
*As Authenticating Agent*

By \_\_\_\_\_  
*Authorized Signatory*

ARTICLE SEVEN

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND OPERATING PARTNERSHIP

SECTION 701. *Operating Partnership to Furnish Trustee Names and Addresses of Holders.*

The Operating Partnership will furnish or cause to be furnished to the Trustee

(1) semi-annually, not later than March 15 and September 15 in each year, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders of Securities of each series as of the preceding March 1 or September 1, as the case may be, and

(2) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Operating Partnership of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished,

excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

SECTION 702. *Preservation of Information; Communications to Holders.*

The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

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The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and privileges of the Trustee, shall be as provided by the Trust Indenture Act.

Every Holder of Securities, by receiving and holding the same, agrees with the Operating Partnership and the Trustee that none of the Operating Partnership, Vornado Realty Trust or the Trustee or any agent of any of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

*SECTION 703. Reports by Trustee.*

The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto. Reports so required to be transmitted at stated intervals of not more than 12 months shall be transmitted within 60 days after the first date of issuance of Securities and on each anniversary of such date.

A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which any Securities are listed, with the Commission and with the Operating Partnership. The Operating Partnership will promptly notify the Trustee when any Securities are listed on any stock exchange.

*SECTION 704. Reports by Operating Partnership.*

The Operating Partnership shall file with the Trustee and the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act; provided that any such information, documents or reports required to be filed with the Commission pursuant to Section 13 or 15(d) of the Exchange Act shall be filed with the Trustee within 15 days after the same is so required to be filed with the Commission.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Operating Partnership's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

ARTICLE EIGHT

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

*SECTION 801. Operating Partnership May Consolidate, Etc., Only on Certain Terms.*

The Operating Partnership shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and the Operating Partnership shall not permit any Person to consolidate with or merge into the Operating Partnership or convey, transfer or lease its properties and assets substantially as an entirety to the Operating Partnership, unless:

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(1) in case the Operating Partnership shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the Person formed by such consolidation or into which the Operating Partnership is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Operating Partnership substantially as an entirety shall be a corporation, partnership or trust, shall be organized and validly existing under the laws of the United States of America, any State thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and any premium and interest on all the Securities and the performance or observance of every covenant of this Indenture on the part of the Operating Partnership to be performed or observed;

(2) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Operating Partnership or any Subsidiary as a result of such transaction as having been incurred by the Operating Partnership or such Subsidiary at the time of such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing;

(3) if, as a result of any such consolidation or merger or such conveyance, transfer or lease, properties or assets of the Operating Partnership would become subject to a mortgage, pledge, lien, security interest or other encumbrance which would not be permitted by this Indenture, the Operating Partnership or such successor Person, as the case may be, shall take such steps as shall be necessary effectively to secure the Securities equally and ratably with (or prior to) all indebtedness secured thereby; and

(4) the Operating Partnership has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

*SECTION 802. Successor Substituted.*

Upon any consolidation of the Operating Partnership with, or merger of the Operating Partnership into, any other Person or any conveyance, transfer or lease of the properties and assets of the Operating Partnership substantially as an entirety in accordance with Section 801, the successor Person formed by such consolidation or into which the Operating Partnership is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Operating Partnership under this Indenture with the same effect as if such successor Person had been named as the Operating Partnership herein, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Securities.

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ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 901. *Supplemental Indentures Without Consent of Holders.*

Without the consent of any Holders, the Operating Partnership, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

- (1) to evidence the succession of another Person to the Operating Partnership and the assumption by any such successor of the covenants of the Operating Partnership herein and in the Securities; or
- (2) to add to the covenants of the Operating Partnership for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Operating Partnership; or
- (3) to add any additional Events of Default for the benefit of the Holders of all or any series of Securities (and if such additional Events of Default are to be for the benefit of less than all series of Securities, stating that such additional Events of Default are expressly being included solely for the benefit of such series); or
- (4) to add to or change any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the issuance of Securities in bearer form, registrable or not registrable as to principal, and with or without interest coupons, or to permit or facilitate the issuance of Securities in uncertificated form; or
- (5) to add to, change or eliminate any of the provisions of this Indenture in respect of one or more series of Securities, provided that any such addition, change or elimination (A) shall neither (i) apply to any Security of any series created prior to the execution of such supplemental indenture and entitled to the benefit of such provision nor (ii) modify the rights of the Holder of any such Security with respect to such provision or (B) shall become effective only when there is no such Security Outstanding; or
- (6) to secure the Securities pursuant to the provisions of Section 801(3) or otherwise; or
- (7) to establish the form or terms of Securities of any series as permitted by Sections 201 and 301; or
- (8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 611; or

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- (9) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture, provided that such action pursuant to this Clause (9) shall not adversely affect the interests of the Holders of Securities of any series in any material respect.

SECTION 902. *Supplemental Indentures With Consent of Holders.*

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series affected by such supplemental indenture, by Act of said Holders delivered to the Operating Partnership and the Trustee, the Operating Partnership, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities of such series under this Indenture; *provided, however*, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

- (1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of the principal of an Original Issue Discount Security or any other Security which would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502, or change any Place of Payment where, or the coin or currency in which, any Security or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or
- (2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or
- (3) modify any of the provisions of this Section, Section 513 or Section 1008, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby; *provided, however*, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to "the Trustee" and concomitant changes in this Section and Section 1008, or the deletion of this proviso, in accordance with the requirements of Sections 611 and 901(8).

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

The Operating Partnership may, but shall not be obligated to, fix a record date for the purpose of determining the Persons entitled to consent to any indenture supplemental hereto. If a record date is fixed, the Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to consent to such supplemental indenture, whether or not such Holders remain Holders after such record date; provided, that unless such consent shall have become effective by virtue of the requisite percentage having been obtained prior to the date which is 90 days after such record date, any such consent previously given shall automatically and without further action by any Holder be cancelled and of no further effect.

*SECTION 903. Execution of Supplemental Indentures.*

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

*SECTION 904. Effect of Supplemental Indentures.*

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

*SECTION 905. Conformity with Trust Indenture Act.*

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

*SECTION 906. Reference in Securities to Supplemental Indentures.*

Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Operating Partnership shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Operating Partnership, to any such supplemental indenture may be prepared and executed by the Operating Partnership and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

ARTICLE TEN

COVENANTS

*SECTION 1001. Payment of Principal, Premium and Interest.*

The Operating Partnership covenants and agrees for the benefit of each series of Securities that it will duly and punctually pay the principal of and any premium and interest on the Securities of that series in accordance with the terms of the Securities and this Indenture.

*SECTION 1002. Maintenance of Office or Agency.*

The Operating Partnership will maintain in each Place of Payment for any series of Securities an office or agency where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Operating Partnership in respect of the Securities of that series and this Indenture may be served. The Operating Partnership will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Operating Partnership shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Operating Partnership hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Operating Partnership may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Operating Partnership of its obligation to maintain an office or agency in each Place of Payment for Securities of any series for such purposes. The Operating Partnership will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

With respect to any Global Security, and except as otherwise may be specified for such Global Security as contemplated by Section 301, the Corporate Trust Office of the Trustee shall be the Place of Payment where such Global Security may be presented or surrendered for payment or for registration of transfer or exchange, or where Successor Securities may be delivered in exchange therefore, provided, however, that any such payment, presentation, surrender or delivery effected pursuant to the Applicable Procedures of the Depository for such Global Security shall be deemed to have been effected at the Place of Payment for such Global Security in accordance with the provisions of this Indenture.

*SECTION 1003. Money for Securities Payments to Be Held in Trust.*

If the Operating Partnership shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of or any premium or interest on any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal and any premium and interest so

becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Operating Partnership shall have one or more Paying Agents for any series of Securities, it will, prior to each due date of the principal of or any premium or interest on any Securities of that series, deposit (or, if the Operating Partnership has deposited any trust funds with a trustee pursuant to Section 1304(1), cause such trustee to deposit) with a Paying Agent a sum sufficient to pay such amount, such sum to be held as provided by the Trust Indenture Act, and (unless such Paying Agent is the Trustee) the Operating Partnership will promptly notify the Trustee of its action or failure so to act.

The Operating Partnership will cause each Paying Agent for any series of Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will (1) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent and (2) during the continuance of any default by the Operating Partnership (or any other obligor upon the Securities of that series) in the making of any payment in respect of the Securities of that series, upon the written request of the Trustee, forthwith pay to the Trustee all sums held in trust by such Paying Agent for payment in respect of the Securities of that series.

The Operating Partnership may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Operating Partnership Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Operating Partnership or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Operating Partnership or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Operating Partnership, in trust for the payment of the principal of or any premium or interest on any Security of any series and remaining unclaimed for two years after such principal, premium or interest has become due and payable shall be paid to the Operating Partnership on Operating Partnership Request, or (if then held by the Operating Partnership) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Operating Partnership for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Operating Partnership as trustee thereof, shall thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Operating Partnership cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in New York, New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Operating Partnership.

#### SECTION 1004. *Statement by Officers as to Default.*

The Operating Partnership will deliver to the Trustee, within 120 days after the end of each fiscal year of the Operating Partnership ending after the date hereof, an Officers' Certificate, stating whether or not to the best knowledge of the signers thereof the Operating Partnership is in

default in the performance and observance of any of the terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and, if the Operating Partnership shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

#### SECTION 1005. *Existence.*

Subject to Article Eight, the Operating Partnership will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises; *provided, however*, that the Operating Partnership shall not be required to preserve any such right or franchise if the Board of Trustees shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Operating Partnership and that the loss thereof is not disadvantageous in any material respect to the Holders of Outstanding Securities.

#### SECTION 1006. *Maintenance of Properties.*

The Operating Partnership will cause all properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Operating Partnership may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; *provided, however*, that nothing in this Section shall prevent the Operating Partnership from discontinuing the operation or maintenance of any of such properties if such discontinuance is, in the judgment of the Operating Partnership, desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to the Holders of Outstanding Securities.

#### SECTION 1007. *Payment of Taxes and Other Claims.*

The Operating Partnership will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Operating Partnership or any Subsidiary or upon the income, profits or property of the Operating Partnership or any Subsidiary, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Operating Partnership or any Subsidiary; *provided, however*, that the Operating Partnership shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 1008. *Insurance.*

The Operating Partnership will cause each of its properties and each of the properties of its Subsidiaries which are of an insurable nature to be insured against loss of damage with insurers of recognized responsibility, in commercially reasonable amounts and types.

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SECTION 1009. *Provision of Financial Information.*

Whether or not the Operating Partnership is subject to Section 13 or Section 15(d) of the Exchange Act, the Operating Partnership will, to the extent permitted under the Exchange Act, file with the Commission the annual reports, quarterly reports and other documents that the Operating Partnership would have been required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act (the "Financial Statements") if the Operating Partnership were so subject, such documents to be filed with the Commission on or prior to the respective dates (the "Required Filing Dates") by which the Operating Partnership would have been required so to file such documents if the Operating Partnership were so subject.

The Operating Partnership will also in any event (x) within 15 days of each Required Filing Date (i) transmit by mail to all Holders, as their names and addresses appear in the Security Register, without cost to such Holders, copies of the annual reports and quarterly reports that the Operating Partnership would have been required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act if the Operating Partnership were subject to such Sections, and (ii) file with the Trustee copies of the annual reports, quarterly reports and other documents that the Operating Partnership would have been required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act if the Operating Partnership were subject to such Sections and (y) if filing such documents by the Operating Partnership with the Commission is not permitted under the Exchange Act, promptly upon written request and payment of the reasonable cost of duplication and delivery, supply copies of such documents to any prospective Holder.

SECTION 1010. *Waiver of Certain Covenants.*

Except as otherwise specified as contemplated by Section 301 for Securities of a specific series, the Operating Partnership may, with respect to the Securities of any series, omit in any particular instance to comply with any term, provision or condition set forth in any covenant provided pursuant to Section 301(18), 901(2) or 901(7) for the benefit of the Holders of such series, in Article Eight, or in any of Sections 1005 through 1009, inclusive, if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Securities of such series shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Operating Partnership and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

SECTION 1011. *Calculation of Original Issue Discount.*

The Operating Partnership shall file with the Trustee promptly at the end of each calendar year a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on Outstanding Securities as of the end of such year, but only if as of the end of such year Securities issued at an original issue discount are then Outstanding.

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ARTICLE ELEVEN

REDEMPTION OF SECURITIES

SECTION 1101. *Applicability of Article.*

Securities of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 301 for such Securities) in accordance with this Article.

SECTION 1102. *Election to Redeem; Notice to Trustee.*

The election of the Operating Partnership to redeem any Securities shall be evidenced by a Board Resolution or in another manner specified as contemplated by Section 301 for such Securities. In case of any redemption at the election of the Operating Partnership of less than all the Securities of any series (including any such redemption affecting only a single Security), the Operating Partnership shall, at least 60 days prior to the Redemption Date fixed by the Operating Partnership (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date, of the principal amount of Securities of such series to be redeemed and, if applicable, of the tenor of the Securities to be redeemed. In the case of any redemption of Securities prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture, the Operating Partnership shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction.

SECTION 1103. *Selection by Trustee of Securities to Be Redeemed.*

If less than all the Securities of any series are to be redeemed (unless all the Securities of such series and of a specified tenor are to be redeemed or unless such redemption affects only a single Security), the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of a portion of the principal amount of any Security of such series, provided that the unredeemed portion of the principal amount of any Security shall be in an authorized denomination (which shall not be less than the minimum authorized denomination) for such Security. If less than all the Securities of such series and of a specified tenor are to be redeemed (unless such redemption affects only a single Security), the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series and specified tenor not previously called for redemption in accordance with the preceding sentence.

The Trustee shall promptly notify the Operating Partnership in writing of the Securities selected for redemption as aforesaid and, in case of any Securities selected for partial redemption as aforesaid, the principal amount thereof to be redeemed.

The provisions of the two preceding paragraphs shall not apply with respect to any redemption affecting only a single Security, whether such Security is to be redeemed in whole or in part. In the case of any such redemption in part, the unredeemed portion of the principal amount of the Security shall be in an authorized denomination (which shall not be less than the minimum authorized denomination) for such Security.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

*SECTION 1104. Notice of Redemption.*

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed, at his address appearing in the Security Register, with a copy to the Trustee and any Paying Agent.

All notices of redemption shall identify the Securities to be redeemed, including CUSIP number, if any, and shall state:

- (1) the Redemption Date,
- (2) the Redemption Price,
- (3) if less than all the Outstanding Securities of any series consisting of more than a single Security are to be redeemed, the identification (and, in the case of partial redemption of any such Securities, the principal amounts) of the particular Securities to be redeemed and, if less than all the Outstanding Securities of any series consisting of a single Security are to be redeemed, the principal amount of the particular Security to be redeemed,
- (4) that on the Redemption Date the Redemption Price will become due and payable upon each such Security to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date,
- (5) the place or places where each such Security is to be surrendered for payment of the Redemption Price, and
- (6) that the redemption is for a sinking fund, if such is the case.

Notice of redemption of Securities to be redeemed at the election of the Operating Partnership shall be given by the Operating Partnership or, at the Operating Partnership's request made to the Trustee at least 35 days prior to the Redemption Date, by the Trustee in the name and at the expense of the Operating Partnership and shall be irrevocable.

*SECTION 1105. Deposit of Redemption Price.*

Prior to any Redemption Date, the Operating Partnership shall deposit with the Trustee or with a Paying Agent (or, if the Operating Partnership is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date or the Securities of the series provide otherwise) accrued interest on, all the Securities which are to be redeemed on that date.

*SECTION 1106. Securities Payable on Redemption Date.*

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Operating Partnership shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Operating Partnership at the Redemption Price, together, if applicable, with accrued interest to the Redemption Date; *provided, however*, that, unless otherwise specified as contemplated by Section 301, installments of interest whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal and any premium shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

*SECTION 1107. Securities Redeemed in Part.*

Any Security which is to be redeemed only in part shall be surrendered at a Place of Payment therefor (with, if the Operating Partnership or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Operating Partnership and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Operating Partnership shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities of the same series and of like tenor, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

SECTION 1201. *Applicability of Article.*

The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of any series except as otherwise specified as contemplated by Section 301 for such Securities.

The minimum amount of any sinking fund payment provided for by the terms of any Securities is herein referred to as a “mandatory sinking fund payment”, and any payment in excess of such minimum amount provided for by the terms of such Securities is herein referred to as an “optional sinking fund payment”. If provided for by the terms of any Securities, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 1202. Each sinking fund payment shall be applied to the redemption of Securities as provided for by the terms of such Securities.

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SECTION 1202. *Satisfaction of Sinking Fund Payments with Securities.*

The Operating Partnership (1) may deliver Outstanding Securities of a series (other than any previously called for redemption) and (2) may apply as a credit Securities of a series which have been redeemed either at the election of the Operating Partnership pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to any Securities of such series required to be made pursuant to the terms of such Securities as and to the extent provided for by the terms of such Securities; provided that the Securities to be so credited have not been previously so credited. The Securities to be so credited shall be received and credited for such purpose by the Trustee at the Redemption Price, as specified in the Securities so to be redeemed, for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

SECTION 1203. *Redemption of Securities for Sinking Fund.*

Not less than 60 days prior to each sinking fund payment date for any Securities, the Operating Partnership will deliver to the Trustee an Officers’ Certificate specifying the amount of the next ensuing sinking fund payment for such Securities pursuant to the terms of such Securities, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting Securities pursuant to Section 1202 and will also deliver to the Trustee any Securities to be so delivered. Not less than 30 nor more than 45 days prior to each such sinking fund payment date, the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 1103 and cause notice of the redemption thereof to be given in the name of and at the expense of the Operating Partnership in the manner provided in Section 1104. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 1106 and 1107.

ARTICLE THIRTEEN

DEFEASANCE AND COVENANT DEFEASANCE

SECTION 1301. *Operating Partnership’s Option to Effect Defeasance or Covenant Defeasance.*

If applicable to a particular series of Securities, the Operating Partnership may elect, at its option at any time, to have Section 1302 or Section 1303 applied to any such series of Securities or any Securities of such series, as the case may be, designated pursuant to Section 301 as being defeasible pursuant to such Section 1302 or 1303, in accordance with any applicable requirements provided pursuant to Section 301 and upon compliance with the conditions set forth below in this Article. Any such election shall be evidenced by a Board Resolution or in another manner specified as contemplated by Section 301 for such Securities.

SECTION 1302. *Defeasance and Discharge.*

Upon the Operating Partnership’s exercise of its option (if any) to have this Section applied to any applicable series of Securities or any Securities of such series, as the case may be, the Operating Partnership shall be deemed to have been discharged from its obligations with respect to such Securities as provided in this Section on and after the date the conditions set forth

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in Section 1304 are satisfied (hereinafter called “Defeasance”). For this purpose, such Defeasance means that the Operating Partnership shall be deemed to have paid and discharged the entire indebtedness represented by such Securities and to have satisfied all its other obligations under such Securities and this Indenture insofar as such Securities are concerned (and the Trustee, at the expense of the Operating Partnership, shall execute proper instruments acknowledging the same), subject to the following which shall survive until otherwise terminated or discharged hereunder: (1) the rights of Holders of such Securities to receive, solely from the trust fund described in Section 1304 and as more fully set forth in such Section, payments in respect of the principal of and any premium and interest on such Securities when payments are due, (2) the Operating Partnership’s obligations with respect to such Securities under Sections 304, 305, 306, 1002 and 1003, (3) the rights, powers, trusts, duties and immunities of the Trustee hereunder and (4) this Article. Subject to compliance with this Article, the Operating Partnership may exercise its option (if any) to have this Section applied to any applicable Securities notwithstanding the prior exercise of its option (if any) to have Section 1303 applied to such Securities.

SECTION 1303. *Covenant Defeasance.*

Upon the Operating Partnership’s exercise of its option (if any) to have this Section applied to any applicable series of Securities or any Securities of such series, as the case may be, (1) the Operating Partnership shall be released from its obligations under Section 801(3), Sections 1005 through 1009, inclusive, and any covenants provided pursuant to Section 301(18), 901(2) or 901(7) for the benefit of the Holders of such Securities and (2) the occurrence of any event specified in Sections 501(4) (with respect to any of Section 801(3), Sections 1005 through 1009, inclusive, and any such covenants provided pursuant to Section 301(18), 901(2) or 901(7)), 501(5) and 501(8) shall be deemed not to be or result in an Event of Default, in each case with respect to such Securities as provided in this Section on and after the date the conditions set forth in Section 1304 are satisfied (hereinafter called “Covenant Defeasance”). For this purpose, such Covenant Defeasance means that, with respect to such Securities, the Operating Partnership may omit to comply with and shall have no

liability in respect of any term, condition or limitation set forth in any such specified Section (to the extent so specified in the case of Section 501(4)), whether directly or indirectly by reason of any reference elsewhere herein to any such Section or by reason of any reference in any such Section to any other provision herein or in any other document, but the remainder of this Indenture and such Securities shall be unaffected thereby.

SECTION 1304. *Conditions to Defeasance or Covenant Defeasance.*

The following shall be the conditions to the application of Section 1302 or Section 1303 to any applicable series of Securities or any Securities of such series, as the case may be:

(1) The Operating Partnership shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee which satisfies the requirements contemplated by Section 609 and agrees to comply with the provisions of this Article applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefits of the Holders of such Securities, (A) money in an amount, or (B) U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (C) a combination thereof, in each case sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written

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certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or any such other qualifying trustee) to pay and discharge, the principal of and any premium and interest on such Securities on the respective Stated Maturities, in accordance with the terms of this Indenture and such Securities. As used herein, "U.S. Government Obligation" means (x) any security which is (i) a direct obligation of the United States of America for the payment of which the full faith and credit of the United States of America is pledged or (ii) an obligation of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case (i) or (ii), is not callable or redeemable at the option of the issuer thereof, and (y) any depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any U.S. Government Obligation which is specified in Clause (x) above and held by such bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any U.S. Government Obligation which is so specified and held, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal or interest evidenced by such depositary receipt.

(2) In the event of an election to have Section 1302 apply to any applicable series of Securities or any Securities of such series, as the case may be, the Operating Partnership shall have delivered to the Trustee an Opinion of Counsel stating that (A) the Operating Partnership has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of this instrument, there has been a change in the applicable Federal income tax law, in either case (A) or (B) to the effect that, and based thereon such opinion shall confirm that, the Holders of such Securities will not recognize gain or loss for Federal income tax purposes as a result of the deposit, Defeasance and discharge to be effected with respect to such Securities and will be subject to Federal income tax on the same amount, in the same manner and at the same times as would be the case if such deposit, Defeasance and discharge were not to occur.

(3) In the event of an election to have Section 1303 apply to any applicable series of Securities or any Securities of such series, as the case may be, the Operating Partnership shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of such Securities will not recognize gain or loss for Federal income tax purposes as a result of the deposit and Covenant Defeasance to be effected with respect to such Securities and will be subject to Federal income tax on the same amount, in the same manner and at the same times as would be the case if such deposit and Covenant Defeasance were not to occur.

(4) The Operating Partnership shall have delivered to the Trustee an Officers' Certificate to the effect that neither such Securities nor any other Securities of the same series, if then listed on any securities exchange, will be delisted as a result of such deposit.

(5) No event which is, or after notice or lapse of time or both would become, an Event of Default with respect to such Securities or any other Securities shall have

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occurred and be continuing at the time of such deposit or, with regard to any such event specified in Sections 501(6) and (7), at any time on or prior to the 90th day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until after such 90th day).

(6) Such Defeasance or Covenant Defeasance shall not cause the Trustee to have a conflicting interest within the meaning of the Trust Indenture Act (assuming all Securities are in default within the meaning of such Act).

(7) Such Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Operating Partnership is a party or by which it is bound.

(8) Such Defeasance or Covenant Defeasance shall not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act unless such trust shall be registered under such Act or exempt from registration thereunder.

(9) The Operating Partnership shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent with respect to such Defeasance or Covenant Defeasance have been complied with.

SECTION 1305. *Deposited Money and U.S. Government Obligations to Be Held in Trust; Miscellaneous Provisions.*





On the    day of                    , before me personally came                    to me known, who, being by me duly sworn, did depose and say that he is                    of Vornado Realty Trust, a Maryland real estate investment trust described in and which executed the foregoing instrument; that he knows the seal of said trust; that the seal affixed to said instrument is such seal; that it was so affixed by authority of the Board of Trustees of said trust; and that he signed his name thereto by like authority.

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STATE OF NEW YORK                    )  
  ) ss.:  
COUNTY OF NEW YORK                    )

On the    day of                    before me personally came                    , to me known, who, being by me duly sworn, did depose and say that he is                    of                    , a corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

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**EMPLOYMENT AGREEMENT**

AGREEMENT, executed as of February 22, 2005 but effective as of January 1, 2005, by and between Vornado Realty Trust (the "Company") and Sandeep Mathrani ("Employee").

IN CONSIDERATION of the premises and the mutual covenants set forth below, the parties hereby agree as follows:

1. Employment. The Company hereby agrees to employ Employee as Executive Vice President of the Company's retail division (the "Retail Division") and Employee hereby accepts such employment, on the terms and conditions hereinafter set forth.

2. Term. The period of employment of Employee by the Company hereunder (the "Employment Period") shall commence January 1, 2005 (the "Commencement Date"), and shall continue until the fifth anniversary thereof; provided that commencing on January 2, 2010 and upon each subsequent January 2, the Employment Period shall be automatically extended for one additional year unless either party gives written notice not to extend this Agreement prior to six months before such extension would otherwise be effectuated. This Agreement replaces in its entirety any and all prior employment agreements between the Company and Employee and, as replaced, such prior employment agreements are hereby terminated.

3. Duties and Responsibilities. During the Employment Period, Employee will serve as Executive Vice President of the Retail Division in charge of retail operations and retail development projects, will perform other executive duties on behalf of the Company consistent with his position and shall report to Michael Fascitelli and Steven Roth, or such other senior officer of the Company as designated by the Chief Executive Officer of the Company. Employee shall devote all of his working time, attention and energies during normal business hours (other than absences due to illness or vacation) to the performance of his duties for the Company.

4. Place of Performance. The principal place of employment of Employee shall be at the Company's executive offices in New York City or Paramus, New Jersey.

5. Compensation and Related Matters.

(a) Base Salary and Bonus. During the Employment Period the Company shall pay Employee a base salary at the rate of not less than \$1,000,000 per year ("Base Salary"). Employee's Base Salary shall be paid in approximately equal installments in accordance with the Company's customary payroll practices. If Employee's Base Salary is increased by the Company, such increased Base Salary shall then constitute the Base Salary for all purposes of the Agreement. In addition to Base Salary, the Employee may be entitled to an annual incentive bonus ("Bonus") each fiscal year at the sole discretion of the Company, to be payable at the same time as bonuses are paid to other executive

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officers. Notwithstanding the foregoing, Employee shall receive an annual bonus of \$500,000 for the Company's current full fiscal year. In addition, the Employee will receive a one-time bonus of \$800,000 as of the date this Agreement is approved by the Compensation Committee of the Company's Board of Trustees.

(b) Share Options. Employee will be granted options (the "Options") to purchase 500,000 of the Company's Common Shares of Beneficial Interest, par value \$.04 per share ("Shares"), pursuant to the Company's 2002 Omnibus Share Plan (the "2002 Plan"). To the maximum extent possible, such Options shall be "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and otherwise shall be non-qualified stock options. The Options will be (or have been) granted subject to the general terms of the 2002 Plan and the share option agreement thereunder.

(i) Such Options will be granted in three tranches as follows: (A) 300,000 of such Options (the "2005 Options") have been granted as of February 8, 2005 and have an exercise price of \$71.275 per Share; and (B) the remaining 200,000 will be granted, in one or two tranches, in 2006 or 2007 as the Employee may determine and in such proportion as the Employee may determine. If the Employee elects to have Options be granted in 2006, then such Options (the "2006 Options") will be granted on such date in 2006 as the Compensation Committee or other authorized party grants equity interests in the Company generally to employees of the Company (the "Company-Wide Grant Date") and will have an exercise price per Share as is determined by such authorized party based on the market value of the Shares on such date ("Grant Date Market Price"). If the Employee elects to have Options be granted in 2007, then such Options (the "2007 Options") will be granted on the Company-Wide Grant Date in 2007 and have an exercise price per Share equal to the then applicable Grant Date Market Price.

(ii) Each of the 2005 Options, the 2006 Options and the 2007 Options will vest and become exercisable at a rate of 33 $\frac{1}{3}$ % of the applicable number of Options granted in 2005, 2006 and 2007, respectively, on the Annual Vesting Date with respect to 2008, 2009 and 2010, in each case provided Employee remains an employee of the Company on such respective dates. "Annual Vesting Date" means January 20<sup>th</sup> of each applicable year, or if such date is not a business day, the next succeeding business day; provided however, if this Agreement terminates on or after January 1, 2010 but prior to January 20, 2010, the Annual Vesting Date with respect to 2010 will be the last business day preceding the termination of this Agreement.

(iii) Notwithstanding the foregoing or anything else to the contrary in this Agreement or in any applicable share option agreement, the Options will accelerate and become fully exercisable if Employee is terminated pursuant to Sections 6(e) or 6(f), or upon the sale of the Retail Division or the Company (a

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"Sale") and will be exercisable for a period of one year following any termination of this Agreement.

(c) Benefit Plans. Employee shall be entitled to participate in such existing employee benefit plans and insurance programs offered by the Company, or which it may adopt from time to time, for its employees generally, in accordance with the eligibility requirements for participation therein.

Nothing herein shall be construed so as to prevent the Company from modifying or terminating any employee benefit plans or programs, or employee fringe benefits, it may adopt from time to time.

(d) Vacation. Employee shall be entitled to four weeks vacation with pay for each year during the Employment Period.

(e) Expenses. The Company shall promptly reimburse Employee for all reasonable business expenses upon the presentation of reasonably itemized statements of such expenses in accordance with the Company's policies and procedures now in force or as such policies and procedures may be modified with respect to all executive officers of the Company.

(f) Automobile. The Company shall provide Employee with an automobile and the expenses of operating such automobile, including gas, oil, repairs and insurance. Employee will receive a new car every three years or allowance depending on Company's policy at that time.

(g) Restricted Stock Grant. The Employer will grant to the Employee 16,836 shares of restricted stock. Such restricted stock has been granted as of February 8, 2005. The restricted stock is issued pursuant to the 2002 Plan. The restricted stock is, and will be, granted subject to the general terms of the 2002 Plan and the restricted stock agreement thereunder. Such restricted stock will vest at a rate of 33<sup>1</sup>/<sub>3</sub>% on the Annual Vesting Date with respect to each of 2008, 2009 and 2010, in each case provided Employee remains an employee of the Company on such respective dates. Notwithstanding the foregoing, the restricted stock will earlier vest if the Employee's employment is terminated pursuant to Sections 6(b), (c), (e) or (f). Notwithstanding the foregoing, such restricted stock will become fully vested upon a Sale.

6. Termination. Employee's employment hereunder shall be terminated upon the earliest of:

(a) Expiration. The expiration of the Employment Period unless extended as provided in Section 2.

(b) Death. The death of Employee.

(c) Disability. If, as a result of Employee's Disability, Employee shall have been substantially unable to perform his duties hereunder for a period of six consecutive months and within 30 days after written Notice of Termination is given by the Company

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after such six-month period, Employee shall not have returned to the substantial performance of his duties on a full-time basis, the Company shall have the right to terminate Employee's employment hereunder for "Disability". For purposes of this Agreement, "Disability" shall have the same meaning as that term is defined in the Company's long term disability plan; provided, that, if no such plan exists, "Disability" shall have the same meaning as provided in Section 22(e)(3) of the Code.

(d) Cause. The Company terminates Employee for Cause. For purposes of this Agreement, the Company shall have "Cause" to terminate Employee's employment upon Employee's (i) willful and continued failure to substantially perform his duties with the Company (other than any such failure resulting from his incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to Employee which identifies the manner in which the Company believes that Employee has not substantially performed his duties, (ii) willful misconduct which is economically injurious to the Company or to any entity in control of, controlled by or under common control with the Company (an "Affiliate"), including, but not limited to, any breach of Sections 9 and 10 hereof, or (iii) the conviction of, or plea of guilty or *nolo contendere* to, a felony, or (iv) habitual drug or alcohol abuse which materially impairs Employee's ability to perform his duties hereunder.

(e) Material Breach. Employee terminates his employment for a material breach of this Agreement by the Company. For purposes of this Agreement, a "material breach" shall be deemed to occur upon a failure by the Company to comply with any material provision of this Agreement which has not been reasonably cured within 30 days after written notice of such noncompliance has been given by Employee to the Company.

(f) Without Cause. The Company shall have the right to terminate Employee's employment hereunder without Cause by providing Employee with a Notice of Termination.

(g) Voluntary Termination. Employee may terminate this Agreement and Employee's employment hereunder at any time upon six months prior written notice to the Company.

7. Termination Procedure.

(a) Notice of Termination. Any termination of Employee by the Company or by Employee (other than termination pursuant to Section 6(a) or (b) hereof) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 13. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Employee under the provisions so indicated.

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(b) Date of Termination. "Date of Termination" shall mean (i) if Employee's employment is terminated by the expiration of this Agreement, the date of expiration, (ii) if Employee's employment is terminated by his death, the date of his death, (iii) if Employee's employment is terminated pursuant to Section 6(c) hereof, 30 days after Notice of Termination is given (provided that Employee shall not have again become available for service on a regular basis during such 30-day period), or (iv) if Employee's employment is terminated pursuant to Sections 6(d), 6(e), 6(f) or 6(g), the date specified in the Notice of Termination.

8. Amounts Due Upon Termination or During Disability. In the event Employee is disabled or his employment terminates during the Employment Period, the Company shall provide Employee with the payments set forth below. Employee acknowledges and agrees that the payments set forth in this Section 8 constitute liquidated damages for termination of his employment during the Employment Period.

(a) During any period that Employee fails to perform his duties hereunder as a result of Disability (“disability period”), Employee shall continue to receive his Base Salary at the rate then in effect for such period until his employment is terminated pursuant to Section 6(c) hereof; provided, that, payments so made to Employee during the first six months of the disability period shall be reduced by the sum of the amounts, if any, paid to the Employee at or prior to the time of any such payment under disability benefit plans of the Company or under the Social Security disability insurance program, and which amounts were not previously applied to reduce any such payment. Employee shall also be entitled to any other benefits or payments provided pursuant to any plan or policy of the Company in accordance with such plan’s or policy’s terms.

(b) If Employee’s employment is terminated pursuant to Sections 6(a), 6(d) or 6(g) the Company shall pay Employee his accrued but unpaid Base Salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, and the Company shall have no further obligations to Employee under this Agreement; provided, that, Employee shall be entitled to any other benefit or payment provided pursuant to any plan or policy of the Company in accordance with such plan’s or policy’s terms.

(c) If Employee’s employment is terminated pursuant to Sections 6(e), or 6(f), the Company shall pay to Employee his (A) accrued and unpaid Base Salary through the Date of Termination and (B) a payment (the “Severance Payment”) equal to the Severance Multiple times the sum of (i) Employee’s then current Base Salary and (ii) the average of the Bonus earned by Employee, if any, in each of the two fiscal years immediately preceding the Date of Termination, or if Employee has been employed less than two fiscal years, such average shall be deemed to be \$500,000. The payment described in clause (A) shall be made as soon as administratively feasible following the Date of Termination and the payment as described in clause (B) shall be paid ratably in accordance with the Company’s customary payroll practices over the one-year period commencing, subject to Section 8(e), 180 days following the Date of Termination. In

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addition, subject to Section 8(e), if Employee’s employment is terminated pursuant to Section 6 (f), he shall be provided with an office and secretarial support for the 90-day period following such termination. During the period from the effective date of this Agreement until January 1, 2007, the “Severance Multiple” will equal two, thereafter the “Severance Multiple” will equal one.

(d) If Employee’s employment is terminated pursuant to Section 6(b), the Company shall pay to Employee’s estate (i) his accrued but unpaid Base Salary through the Date of Termination at the rate then in effect; and (ii) a pro rata portion (based on the number of days elapsed in the Company’s fiscal year through the Date of Termination) of Employee’s Bonus for the fiscal year in which the Date of Termination occurs.

(e) Notwithstanding Section 8(c) above, the Company will begin paying the Severance Amount immediately following the Date of Termination if commencement of such payment at such time will not violate the applicable requirements of Section 409A of the Code. In addition, to the extent necessary or advisable to avoid a violation of Section 409A of the Code, the Company will not be required to provide Employee with continued use of an office and secretarial support pursuant to Section 8(c) hereof.

9. Confidential Information and Removal of Documents.

(a) Employee agrees to keep secret and retain in the strictest confidence all Confidential Information which relates to the Company and any of its Affiliates. “Confidential Information” (a) means information (i) that is learned by Employee from the Company or any Affiliate before or after the date of this Agreement (other than Confidential Information that was known by Employee on a nonconfidential basis prior to the disclosure thereof); (ii) that is commercially valuable to the Company and (iii) that is not published or of public record or otherwise generally known (other than through failure of Employee to fully perform his obligations hereunder), and (b) includes, without limitation, customer lists, client lists, trade secrets, pricing policies and other business affairs of the Company and any of its Affiliates. Employee agrees not to disclose any such Confidential Information to anyone outside the Company or any of its Affiliates, whether during or after his period of service with the Company, except (x) as such disclosure may be required or appropriate in connection with his service or (y) when required to do so by a court of law, by any governmental agency or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction to order his to divulge, disclose or make accessible such information. Employee agrees to give the Company advance written notice of any disclosure pursuant to clause (y) of the preceding sentence and to cooperate with any efforts by the Company to limit the extent of such disclosure.

(b) All records, files, drawings, documents, models, equipment, and the like relating to the Company’s business, which Employee has control over shall not be removed from the Company’s premises without its written consent, unless such removal is in the furtherance of the Company’s business or is in connection with Employee’s

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carrying out his duties under this Agreement and, if so removed, shall be returned to the Company promptly after termination of Employee’s employment hereunder, or otherwise promptly after removal if such removal occurs following termination of employment. Employee’s rolodex, telephone directory and similar type items, and furniture, art work and property owned by Employee or otherwise not owned by the Company shall not be deemed Company property and shall not be covered by this Section 9(b). The Company shall be the owner of all trade secrets and other products relating to the Company’s business developed by Employee alone or in conjunction with others as part of his employment with the Company.

10. Non-Competition.

(a) In consideration of the benefits to be provided to Employee hereunder, Employee covenants that he will not, without the prior written consent of the Company, during the Employment Period and the period of one year (the “Restriction Period”) following his termination of employment for any reason (other than pursuant to Sections 6(a), 6(c), 6(e) or 6(f)) engage in any way, directly or indirectly, in the sourcing and execution of retail building acquisition, development or leasing transactions on behalf of any public or non-public real estate company operating in any metropolitan area where the Retail Division of the Company (i) during the Employment Period is then operating or (ii) operated during the six-month period preceding his termination of employment.

(b) Except with the prior written consent of the Company, Employee hereby covenants and agrees that, at all times during the Employment Period and for a period of one year immediately following his termination for any reason (other than pursuant to Sections 6(a), 6(c), 6(e) or 6(f)), Employee

shall not represent, in connection with any retail building acquisition, development or leasing transaction to which the Company or any of its Affiliates is a party, any individual or entity who (i) is a tenant of the Company or any of its Affiliates at any time during the Employment Period or (ii) was a tenant of the Company or any of its Affiliates at any time during the six-month period preceding his termination of employment.

(c) Employee hereby covenants and agrees that, at all times during the Employment Period and for a period of one year immediately following his termination for any reason, Employee shall not employ or seek to employ any person employed at that time by the Company or any of its Affiliates, or otherwise encourage or entice such person or entity to leave such employment.

(d) Employee acknowledges that the restrictions, prohibitions and other provisions of this Section 10 are reasonable, fair and equitable in scope, terms and duration, are necessary to protect the legitimate business interests of the Company and are a material inducement to the Company to enter into this Agreement. It is the intention of the parties hereto that the restrictions contained in this paragraph be enforceable to the fullest extent permitted by applicable law. Therefore, to the extent any court of competent jurisdiction shall determine that any portion of the foregoing

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restrictions is excessive, such provision shall not be entirely void, but rather shall be limited or revised only to the extent necessary to make it enforceable.

11. Remedy. Should Employee engage in or perform, either directly or indirectly, any of the acts prohibited by Sections 9 and 10, it is agreed that the Company shall be entitled to immediately withhold any payments or benefits to be made to Employee under Section 8 of this Agreement and shall be entitled to full injunctive relief, to be issued by any competent court of equity, enjoining and restraining Employee and each and every other person, firm, organization, association, or corporation concerned therein, from the continuance of such violative acts. The foregoing remedy available to Company shall not be deemed to limit or prevent the exercise by the Company of any or all further rights and remedies that may be available to the Company hereunder or at law or in equity.

12. Successors; Binding Agreement. This Agreement shall be binding upon and shall inure to the benefit of Employee, his heirs, executors, administrators, beneficiaries and assigns and shall be binding upon and shall inure to the benefit of the Company and its successors.

13. Notice. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered either personally or by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to Employee:  
Sandeep Mathrani  
35 East 75th St., Penthouse C  
New York, NY 10021  
(212) 737-6690

If to the Company:

Vornado Realty Trust  
888 7th Avenue  
New York, NY 10019  
Attention: President; and

Vornado Realty Trust  
210 Route 4 East  
Paramus, New Jersey 07652  
Attention: Chief Financial Officer

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or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

14. Resolution of Differences Over Breaches of Agreement. The parties shall use good faith efforts to resolve any controversy or claim arising out of, or relating to this Agreement or the breach thereof, first in accordance with the Company's internal review procedures, except that this requirement shall not apply to any claim or dispute under or relating to Sections 9 or 10 of this Agreement. If despite their good faith efforts, the parties are unable to resolve such controversy or claim through the Company's internal review procedures, then such controversy or claim shall be resolved by arbitration in Manhattan, New York, in accordance with the rules then obtaining of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof. If any contest or dispute shall arise between the Company and Employee regarding any provision of this Agreement, the Company shall reimburse Employee for all legal fees and expenses reasonably incurred by Employee in connection with such contest or dispute, but only if Employee is successful in respect of substantially all of Employee's claims brought and pursued in connection with such contest or dispute.

15. Governing Law. This Agreement is governed by, and is to be construed and enforced in accordance with, the laws of the State of New York, without regard to principles of conflicts of laws. If, under such law, any portion of this Agreement is at any time deemed to be in conflict with any applicable statute, rule, regulation or ordinance, such portion shall be deemed to be modified or altered to conform thereto or, if that is not possible, to be omitted from this Agreement, and the invalidity of any such portion shall not affect the force, effect and validity of the remaining portion hereof.

16. Amendment. No provisions of this Agreement may be amended, modified, or waived unless such amendment or modification is agreed to in writing signed by Employee and by a duly authorized officer of the Company, and such waiver is set forth in writing and signed by the party to be charged.

No waiver by either party hereto at any time of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

17. Survival. The respective obligations of, and benefits afforded to, Employee and Company as provided in Sections 9 and 10 of this Agreement shall survive the termination of this Agreement.

18. No Conflict of Interest. During the Employment Period, Employee shall not directly, or indirectly render service, or undertake any employment or consulting agreement with another entity without the express written consent of the Board. Notwithstanding the foregoing, it is expressly understood and agreed that the Employee's maintenance of a limited partnership interest in the entities listed on Exhibit B annexed hereto shall not constitute a conflict of interest for purposes of this Agreement.

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

20. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto in respect of such subject matter. Any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and canceled.

21. Section Headings. The section headings in this Agreement are for convenience of reference only, and they form no part of this Agreement and shall not affect its interpretation.

[signature page follows]

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

VORNADO REALTY TRUST

By: /s/ Michael Fascitelli  
Michael Fascitelli

EMPLOYEE

/s/ Sandeep Mathrani  
SANDEEP MATHRANI

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Exhibit B

**LIMITED PARTNERSHIP INTERESTS**

1. TREECO/25 East Limited Partnership
2. TREECO/Hylan Limited Partnership
3. Wappingers Associates, L.P.
4. Portsmouth Associates, L.P.

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Vornado Realty, L.P.  
888 Seventh Avenue  
New York, NY 10019

March 17, 2005

Global Toys Acquisition, LLC  
c/o Vornado Realty, L.P.  
888 Seventh Avenue  
New York, NY 10019

Re: Equity Commitment

Ladies and Gentlemen:

Reference is made to the Agreement and Plan of Merger, dated as of the date hereof (the "Agreement"), among Toys "R" Us, Inc., a Delaware corporation (the "Company"), Global Toys Acquisition, LLC, a Delaware limited liability company ("Parent"), and Global Toys Acquisition Merger Sub, Inc., a Delaware corporation ("Acquisition Sub"). Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Agreement.

By signing a counterpart hereof and upon receipt by Parent of an executed counterpart from the undersigned (the "Investor"), Investor agrees with Parent that, subject to the satisfaction or waiver by Investor of each of the conditions set forth in Sections 7.1 and 7.2 of the Agreement (other than any conditions the failure of which to be satisfied has arisen out of the willful and material breach by Parent or Acquisition Sub of any of their respective obligations under the Agreement), at or prior to the Closing, Investor will contribute, or cause to be contributed, to Parent up to the Contribution Amount set forth on Annex A opposite Investor's name for the purpose of funding the Per Share Merger Consideration pursuant to and in accordance with the Agreement and to satisfy any liabilities of Parent or Acquisition Sub arising out of the willful and material breach of any of their respective obligations under the Agreement. Investor will not be under any obligation pursuant to the preceding sentence unless all of the foregoing conditions precedent to Parent's obligation to consummate the transactions contemplated by the Agreement on the Closing Date have been satisfied or waived by the Investor. In addition, Investor will not be under any obligation under any circumstances to contribute or cause to be contributed to Parent more than the Contribution Amount set forth on Annex A opposite such Investor's name and Investor shall not have any liability arising out of this letter agreement to any Person in excess of such Contribution Amount.

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Global Toys Acquisition, LLC  
March 17, 2005

Notwithstanding anything that may be expressed or implied herein, each of Parent and the Investor, by its acceptance of the benefits hereof, covenants, agrees and acknowledges that, no Person other than the undersigned shall have any obligation hereunder and that, notwithstanding that the Investor is a partnership, no recourse hereunder or under any documents or instruments delivered in connection herewith shall be had against any current or future officer, agent or employee of the Investor or against any current or future general or limited partner of the Investor or any current or future director, officer, employee, general or limited partner, member, Affiliate or assignee of any of the foregoing, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any current or future officer, agent or employee of the Investor or any current or future general or limited partner of the Investor or any current or future director, officer, employee, general or limited partner, member, Affiliate or assignee of any of the foregoing, as such, for any obligations of the Investor hereunder or any documents or instruments delivered in connection herewith or for any claim based on, in respect of, or by reason of, such obligations or their creation.

Nothing set forth herein contains or gives, or shall be construed to contain or to give, any Person other than Parent (including any Person acting in a representative capacity) any remedies under or by reason of, or any rights to enforce or cause Parent to enforce, the commitments set forth herein.

Investor shall be entitled to assign all or a portion of its obligations hereunder to one or more Persons that agree to assume Investor's obligations hereunder, provided Investor shall remain obligated to perform its obligations hereunder to the extent not performed by such Person(s). Except as provided above, this letter agreement shall not be assignable without the consent of each of the parties hereto.

If the Agreement is terminated pursuant to Section 8.1 of the Agreement (other than pursuant to Section 8.1(d)(i) of the Agreement or otherwise pursuant to a willful and material breach by Parent or Acquisition Sub of their respective obligations under the Agreement), all obligations hereunder shall expire automatically upon such termination without any further obligations of the Investor hereunder. Notwithstanding the foregoing parenthetical, all obligations of the Investor hereunder shall expire automatically 6 months after the termination of the Agreement for any reason without any further obligations of the Investor hereunder, except with respect to claims arising from lawsuits filed by the Company against Parent or Acquisition Sub prior to such 6th month anniversary alleging damages or harm to the Company and/or its stockholders as a result of a material and willful breach by Parent or Acquisition Sub of their respective obligations under the Agreement.

This letter agreement may be executed in counterparts and shall become effective only upon (i) execution of the Agreement by all parties thereto, and (ii) receipt by Parent of executed a counterpart of this letter agreement by the Investor. This letter



agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between Parent and the Investor with respect to the subject matter hereof. This letter agreement may be amended or modified only with the written consent of the parties hereto, and with the written consent of the Company if such amendment or modification is adverse to the Company. This letter agreement shall be governed by the laws of the State of Delaware, without giving effect to any choice of law, provision or rule that would cause the application of the laws of any other jurisdiction. In addition, each of the parties hereto (i) consents to submit itself to the personal jurisdiction of the Court of Chancery or other courts of the State of Delaware in the event any dispute arises out of this letter agreement or any of the transactions contemplated by the Agreement, (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from such court, (iii) agrees that it will not bring any action relating to this letter agreement or any of the transactions contemplated by the Agreement in any court other than the Court of Chancery or other courts of the State of Delaware and (iv) to the fullest extent permitted by Law, consents to service being made through the notice procedures set forth in Section 9.3 of the Agreement.

[Signature page follows]

Global Toys Acquisition, LLC  
March 17, 2005

Very truly yours,

VORNADO REALTY, L.P.

By: VORNADO REALTY TRUST  
its General Partner

By:     /s/Michael D. Fascitelli      
Name: Michael D. Fascitelli  
Title: President

ANNEX A

<b>Investor</b>	<b>Contribution Amount</b>
Vornado Realty, L.P.	\$400.0 million

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April 28, 2005

Vornado Realty Trust  
New York, New York

We have made a review, in accordance with the standards of the Public Company Accounting Oversight Board (United States), of the unaudited interim financial information of Vornado Realty Trust for the periods ended March 31, 2005 and 2004, as indicated in our report dated April 28, 2005; 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 Reports on Form 10-Q for the quarter ended March 31, 2005 is incorporated by reference in:

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. 333-120384 on Form S-3  
Registration Statement No. 333-121929 on Form S-3

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. 333-122306-01 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.

Deloitte & Touche LLP  
Parsippany, New Jersey

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## 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 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.

April 28, 2005

/s/ Steven Roth

Steven Roth  
Chief Executive Officer

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## 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 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.

April 28, 2005

/s/ Joseph Macnow

Joseph Macnow  
Chief Financial Officer

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## 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 the quarter ended March 31, 2005 (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 information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 28, 2005

/s/ Steven Roth  
Name: Steven Roth  
Title: Chief Executive Officer

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## 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 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 the quarter ended March 31, 2005 (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 information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 28, 2005

/s/ Joseph Macnow  
Name: Joseph Macnow  
Title: Chief Financial Officer

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