

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, 2007

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 a large accelerated filer, accelerated filer, or a non-accelerated filer. See definitions of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of March 31, 2007, 151,864,560 of the registrant's common shares of beneficial interest are outstanding.

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VORNADO REALTY TRUST
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

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

ASSETS	March 31, 2007	December 31, 2006
Real estate, at cost:		
Land	\$ 3,343,729	\$ 2,795,970
Buildings and improvements	10,583,236	9,967,415
Development costs and construction in progress	466,634	417,671
Leasehold improvements and equipment	391,090	372,432
Total	<u>14,784,689</u>	<u>13,553,488</u>
Less accumulated depreciation and amortization	(2,056,118)	(1,968,678)
Real estate, net	<u>12,728,571</u>	<u>11,584,810</u>
Cash and cash equivalents	2,884,674	2,233,317
Escrow deposits and restricted cash	131,234	140,351
Marketable securities	369,073	316,727
Investments and advances to partially owned entities, including Alexander's of \$92,867 and \$82,114	1,242,111	1,135,669
Investment in Toys "R" Us	375,132	317,145
Due from officers	13,197	15,197
Accounts receivable, net of allowance for doubtful accounts of \$19,385 and \$17,727	233,414	230,908
Notes and mortgage loans receivable	659,612	561,164
Receivable arising from the straight-lining of rents, net of allowance of \$2,508 and \$2,334	462,368	441,982
Other assets	1,152,125	976,103
Assets related to discontinued operations	908	908
	<u>\$ 20,252,419</u>	<u>\$ 17,954,281</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Notes and mortgages payable	\$ 7,590,860	\$ 6,886,884
Convertible senior debentures	2,353,174	980,083
Senior unsecured notes	1,197,455	1,196,600
Exchangeable senior debentures	491,639	491,231
Accounts payable and accrued expenses	458,581	531,977
Deferred credit	596,465	342,733
Other liabilities	182,602	184,844
Officers' compensation payable	63,588	60,955
Total liabilities	<u>12,934,364</u>	<u>10,675,307</u>
Minority interest, including unitholders in the Operating Partnership	1,106,348	1,128,204
Commitments and contingencies		
Shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 33,985,777 and 34,051,635 shares	825,367	828,660
Common shares of beneficial interest: \$.04 par value per share; authorized, 200,000,000 shares; issued and outstanding 151,864,560 and 151,093,373 shares	6,115	6,083
Additional capital	5,323,944	5,287,923
Earnings less than distributions	(45,361)	(69,188)
Accumulated other comprehensive income	99,724	92,963
Deferred compensation shares earned but not yet delivered	1,918	4,329
Total shareholders' equity	<u>6,211,707</u>	<u>6,150,770</u>
	<u>\$ 20,252,419</u>	<u>\$ 17,954,281</u>

See notes to consolidated financial statements.

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

**For The Three Months Ended
March 31,**

	2007	2006
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(Amounts in thousands, except per share amounts)

REVENUES:

Property rentals	\$ 435,367	\$ 368,103
Temperature Controlled Logistics	200,093	195,850
Tenant expense reimbursements	72,533	61,727
Fee and other income	29,063	21,657
Total revenues	737,056	647,337

EXPENSES:

Operating	370,966	331,915
Depreciation and amortization	108,806	90,305
General and administrative	53,063	45,864
Costs of acquisitions not consummated	8,807	—
Total expenses	541,642	468,084
Operating income	195,414	179,253
Income (loss) applicable to Alexander's	13,519	(3,595)
Income applicable to Toys "R" Us	58,661	52,760
Income from partially owned entities	9,105	6,051
Interest and other investment income	54,479	22,475
Interest and debt expense (including amortization of deferred financing costs of \$4,150 and \$3,575)	(147,013)	(103,894)
Net gain on disposition of wholly-owned and partially owned assets other than depreciable real estate	909	548
Minority interest of partially owned entities	3,883	(274)
Income from continuing operations	188,957	153,324
(Loss) income from discontinued operations, net of minority interest	(31)	16,735
Income before allocation to minority limited partners	188,926	170,059
Minority limited partners' interest in the Operating Partnership	(17,177)	(15,874)
Perpetual preferred unit distributions of the Operating Partnership	(4,818)	(4,973)
Net income	166,931	149,212
Preferred share dividends	(14,296)	(14,407)
NET INCOME applicable to common shares	\$ 152,635	\$ 134,805

INCOME PER COMMON SHARE – BASIC:

Income from continuing operations	\$ 1.01	\$ 0.84
Income from discontinued operations	—	0.12
Net income per common share	\$ 1.01	\$ 0.96

INCOME PER COMMON SHARE – DILUTED:

Income from continuing operations	\$ 0.96	\$ 0.80
Income from discontinued operations	—	0.11
Net income per common share	\$ 0.96	\$ 0.91

DIVIDENDS PER COMMON SHARE

	\$ 0.85	\$ 0.80
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See notes to consolidated financial statements.

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

**For The Three Months Ended
March 31,**

(Amounts in thousands)

Cash Flows from Operating Activities:

	2007	2006
Net income	\$ 166,931	\$ 149,212
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of debt issuance costs)	112,956	94,181
Equity in income of partially owned entities, including Alexander's and Toys	(81,285)	(55,216)
Straight-lining of rental income	(20,475)	(12,564)
Minority limited partners' interest in the Operating Partnership	17,174	15,874
Amortization of below market leases, net	(14,005)	(4,808)
Net gains from derivative positions	(9,380)	(3,953)
Costs of acquisitions not consummated	8,807	—
Distributions of income from partially owned entities	6,902	8,286
Loss on early extinguishment of debt and write-off of unamortized financing costs	5,969	—
Perpetual preferred unit distributions of the Operating Partnership	4,818	4,973
Minority interest of partially owned entities	(3,883)	274
Net gains on dispositions of wholly owned and partially owned assets other than depreciable real estate	(909)	(548)
Net gains on sale of real estate	—	(16,160)
Other non-cash adjustments	6,699	—
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,506)	48,530
Accounts payable and accrued expenses	(70,674)	(44,238)
Other assets	(46,913)	(5,935)
Other liabilities	1,037	12,561
Net cash provided by operating activities	<u>81,263</u>	<u>190,469</u>
Cash Flows from Investing Activities:		
Acquisitions of real estate and other	(878,654)	(148,330)
Investments in notes and mortgage loans receivable	(135,615)	(57,535)
Deposits in connection with real estate acquisitions, including pre-acquisition costs	(125,359)	327
Investments in partially owned entities	(91,037)	(22,879)
Development costs and construction in progress	(49,438)	(58,033)
Additions to real estate	(38,204)	(41,574)
Purchases of marketable securities	(43,685)	(46,475)
Proceeds received from repayment of notes and mortgage loans receivable	40,150	5,632
Cash restricted, including mortgage escrows	9,117	(11,050)
Distributions of capital from partially owned entities	2,812	2,542
Proceeds from sales of, and return of investment in, marketable securities	2,217	5,392
Proceeds received from Officer loan repayment	2,000	—
Proceeds from sales of real estate	—	71,887
Proceeds received on settlement of derivatives (primarily Sears Holdings)	—	135,028
Net cash used in investing activities	<u>(1,305,696)</u>	<u>(165,068)</u>

See notes to consolidated financial statements.

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

(Amounts in thousands)	For The Three Months Ended March 31,	
	2007	2006
Cash Flows from Financing Activities:		
Proceeds from borrowings	2,286,725	605,298
Repayments of borrowings	(156,759)	(195,845)
Dividends paid on common shares	(128,812)	(113,024)
Purchase of marketable securities in connection with the legal defeasance of mortgage notes payable	(86,653)	—
Distributions to minority partners	(19,429)	(17,725)
Dividends paid on preferred shares	(14,349)	(14,446)
Debt issuance costs	(6,768)	(7,542)
Proceeds from exercise of share options and other	1,835	3,309
Net cash provided by financing activities	1,875,790	260,025
Net increase in cash and cash equivalents	651,357	285,426
Cash and cash equivalents at beginning of period	2,233,317	294,504
Cash and cash equivalents at end of period	\$ 2,884,674	\$ 579,930

Supplemental Disclosure of Cash Flow Information:

Cash payments for interest (including capitalized interest of \$10,368 and \$3,698)	\$ 123,753	\$ 90,404
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Non-Cash Transactions:

Financing assumed in acquisitions	\$ 25,228	\$ 253,172
Marketable securities transferred in connection with the legal defeasance of mortgage notes payable	86,653	—
Mortgage notes payable legally defeased	83,542	—
Conversion of Class A Operating Partnership units to common shares	26,805	12,172
Unrealized net gain on securities available for sale	4,124	12,312

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 “our,” “we,” “us,” the “Company” and “Vornado” refer to Vornado Realty Trust and its consolidated subsidiaries. We are the sole general partner of, and owned approximately 90.0% of the common limited partnership interest in, the Operating Partnership at March 31, 2007.

Substantially all of Vornado Realty Trust’s assets are held through subsidiaries of the Operating Partnership. Accordingly, Vornado Realty Trust’s cash flow and ability to pay dividends to its shareholders is dependent upon the cash flow of the Operating Partnership and the ability of its direct and indirect subsidiaries to first satisfy their obligations to creditors.

2. Basis of Presentation

The accompanying consolidated financial statements are unaudited. In our opinion, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America 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 our Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the Securities and Exchange Commission. The results of operations for the three months ended March 31, 2007, 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 subsidiaries, including the Operating Partnership, as well as certain partially owned entities in which we own more than 50% unless a partner has shared board and management representation and substantive participation rights on all significant business decisions, or 50% or less when (i) we are 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”), or (ii) when we are a general partner that meets the criteria under Emerging Issues Task Force (“EITF”) Issue No. 04-5. We consolidate our 47.6% investment in AmeriCold Realty Trust because we have the contractual right to appoint three out of five members of its Board of Trustees, and therefore determined that we have a controlling interest. All significant inter-company amounts have been eliminated. Equity interests in partially owned entities are accounted for under the equity method of accounting when they do not meet the criteria for consolidation and our ownership interest is greater than 20%. When partially owned investments are in partnership form, the 20% threshold for equity method accounting is generally reduced to 3% to 5%, based on our ability to influence the operating and financial policies of the partnership. Investments accounted for under the equity method are initially recorded at cost and subsequently adjusted for our share of the net income or loss and cash contributions and distributions to or from these entities. Investments in partially-owned entities that do not meet the criteria for consolidation or for equity method accounting are accounted for on the cost method.

We have 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 related to discontinued operations 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

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (“SFAS No. 157”). SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. This statement clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing the asset or liability. SFAS No. 157 establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data. SFAS No. 157 applies whenever other standards require assets or liabilities to be measured at fair value. This statement is effective in fiscal years beginning after November 15, 2007. We believe that the adoption of this standard on January 1, 2008 will not have a material effect on our consolidated financial statements.

In September 2006, the FASB issued Statement No. 158, *Employer’s Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of SFAS No. 87, 88, 106 and 132R* (“SFAS No. 158”). SFAS No. 158 requires an employer to (i) recognize in its statement of financial position an asset for a plan’s over-funded status or a liability for a plan’s under-funded status; (ii) measure a plan’s assets and its obligations that determine its funded status as of the end of the employer’s fiscal year (with limited exceptions); and (iii) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. Those changes will be reported in comprehensive income. The adoption of the requirement to recognize the funded status of a benefit plan and the disclosure requirements as of December 31, 2006 did not have a material effect on our consolidated financial statements. The requirement to measure plan assets and benefit obligations to determine the funded status as of the end of the fiscal year and to recognize changes in the funded status in the year in which the changes occur is effective for fiscal years ending after December 15, 2008. The adoption of the measurement date provisions of this standard is not expected to have a material effect on our consolidated financial statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (“SFAS No. 159”). SFAS No. 159 expands opportunities to use fair value measurement in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. This Statement is effective for fiscal years beginning after November 15, 2007. We have not decided if we will choose to measure any financial assets and liabilities at fair value when we adopt SFAS No. 159 as of January 1, 2008.

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (“FIN 48”). FIN 48 establishes new evaluation and measurement processes for all income tax positions taken. FIN 48 also requires expanded disclosures of income tax matters. The adoption of this standard on January 1, 2007 did not have a material effect on our consolidated financial statements.

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

4. Acquisitions

100 West 33rd Street, New York City (the "Manhattan Mall")

On January 10, 2007, we acquired the Manhattan Mall for approximately \$689,000,000 in cash. This mixed-use property is located on the entire Sixth Avenue block-front between 32nd and 33rd Streets in Manhattan and contains approximately 1,000,000 square feet, including 812,000 square feet of office space and 164,000 square feet of retail space. Included as part of the transaction are 250,000 square feet of additional air rights. The property is adjacent to our 1,400,000 square foot Hotel Pennsylvania. At closing, we completed a \$232,000,000 financing secured by the property, which bears interest at LIBOR plus 0.55% (5.87% at March 31, 2007) and matures in two years with three one-year extension options. The operations of the office component of the property will be included in the New York Office segment and the operations of the retail component will be included in the Retail segment. We consolidate the accounts of this property into our consolidated financial statements from the date of acquisition.

Bruckner Plaza, Bronx, New York

On January 11, 2007, we acquired the Bruckner Plaza shopping center, and an adjacent parcel containing 114,000 square feet which is ground leased to a third party, for approximately \$165,000,000 in cash. The property is located on Bruckner Boulevard in the Bronx, New York and contains 386,000 square feet of retail space. We consolidate the accounts of this property into our consolidated financial statements from the date of acquisition.

Filene's, Boston, Massachusetts

On January 26, 2007, a joint venture in which we have a 50% interest, acquired the Filene's property located in the Downtown Crossing district of Boston, Massachusetts for approximately \$100,000,000 in cash, of which our share was \$50,000,000. This investment is accounted for under the equity method. The venture plans to redevelop the property to include over 1,200,000 square feet, consisting of office, retail, condominium apartments and a hotel. The project is subject to governmental approvals.

1290 Avenue of the Americas and 555 California Street

On March 16, 2007, we entered into an agreement to acquire a 70% controlling interest in 1290 Avenue of the Americas, a 2,000,000 square foot Manhattan office building, located on the block-front between 51st and 52nd Street on Avenue of the Americas, and the 555 California Street office complex containing 1,800,000 square feet, known as the Bank of America Center, located at California and Montgomery Streets in San Francisco's financial district. The purchase price for our 70% interest in the real estate is approximately \$1.807 billion, consisting of \$1.010 billion of cash and \$797,000,000 of existing debt. Our share of the debt is comprised of \$308,000,000 secured by 1290 Avenue of the Americas and \$489,000,000 secured by 555 California Street. The preliminary allocation of the purchase price is approximately \$775 per square foot for 1290 Avenue of the Americas and approximately \$575 per square foot for 555 California Street. Our 70% interest is being acquired through the purchase of all of the shares of a group of foreign companies that own, through U.S. entities, the 1% sole general partnership interest and a 69% limited partnership interest in the partnerships that own the two properties. The remaining 30% limited partnership interest is owned by Donald J. Trump. This acquisition is expected to close in the second quarter of 2007, subject to customary closing conditions.

In August 2005, Mr. Trump brought a lawsuit in the New York State Supreme Court against, among others, the general partners of the partnerships referred to above. Mr. Trump's claims arose out of a dispute over the sale price of, and use of proceeds from, the sale of properties located on the former Penn Central rail yards between West 59th and 72nd Streets in Manhattan which were formerly owned by the partnerships. In decisions dated September 14, 2005 and July 24, 2006, the Court denied various of Mr. Trump's motions and ultimately dismissed all of Mr. Trump's claims, except for his claim seeking access to books and records, which remains pending. Mr. Trump has sought re-argument and renewal on, and filed a notice of appeal in connection with, his dismissed claims. We have agreed that at closing we will indemnify the sellers for liabilities and expenses arising out of Mr. Trump's claim that the general partners of the partnerships we are acquiring did not sell the rail yards at a fair price or could have sold the rail yards for a greater price and any other claims asserted in the legal action; provided however, that if Mr. Trump prevails on certain claims involving partnership matters, other than claims relating to sale price, the sellers will be required to reimburse us for certain costs related to those claims.

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

4. Acquisitions - continued

H Street Building Corporation ("H Street")

In July 2005, we acquired H Street, which owns a 50% interest in real estate assets located in Pentagon City, Virginia and Washington, DC. On April 30, 2007, we acquired the corporations that own the remaining 50% interest in these assets for approximately \$383,000,000, consisting of \$323,000,000 in cash and \$60,000,000 of existing mortgages. These assets include twin office buildings located in Washington, DC, containing 577,000 square feet, and assets located in Pentagon City, Virginia comprised of 34 acres of land leased to three residential and retail operators, a 1,670 unit high-rise apartment complex and 10 acres of vacant land. In conjunction with this acquisition all existing litigation has been dismissed. Further, we have agreed to sell approximately 19.6 of the 34 acres of land to the existing ground lessee in one or more closings over a two-year period for approximately \$220,000,000.

Our total purchase price for 100% of the assets we will own, after the anticipated proceeds from the land sale, is \$409,000,000, consisting of \$286,000,000 in cash and \$123,000,000 of existing mortgages.

Within the last two weeks we have received letters from the two remaining ground lessees claiming a right of first offer.

Beginning on April 30, 2007, we will consolidate the accounts of these entities into our consolidated financial statements and no longer account for them on the equity method.

5. Derivative Instruments and Related Marketable Securities

Investment in McDonald's Corporation ("McDonalds") (NYSE: MCD)

As of March 31, 2007, we own 858,000 common shares of McDonalds which we acquired in July 2005 for \$25,346,000, an average price of \$29.54 per share. These shares are recorded as marketable equity securities on our consolidated balance sheets and are classified as "available for sale." Appreciation or depreciation in the fair market value of these shares is recorded as an increase or decrease in "accumulated other comprehensive income" in the shareholders' equity section of our consolidated balance sheet and not recognized in income. At March 31, 2007, based on McDonalds' closing stock price of \$45.05 per share, \$13,306,000 of appreciation in the value of these shares was included in "accumulated other comprehensive income on our consolidated balance sheet.

As of March 31, 2007, we own 13,696,000 McDonalds common shares ("option shares") through a series of privately negotiated transactions with a financial institution pursuant to which we purchased a call option and simultaneously sold a put option at the same strike price on McDonalds' common shares. The option shares have a weighted-average strike price of \$32.70 per share, or an aggregate of \$447,822,000, expire on various dates between July 30, 2007 and September 10, 2007 and provide for net cash settlement. Under these agreements, the strike price for each pair of options increases at an annual rate of LIBOR plus 45 basis points (up to 95 basis points under certain circumstances) and is credited for the dividends received on the shares. The options provide us with the same economic gain or loss as if we had purchased the underlying common shares and borrowed the aggregate purchase price at an annual rate of LIBOR plus 45 basis points. Because these options are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the options at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income" on our consolidated statements of income.

For the three months ended March 31, 2007 and 2006, we recognized net gains of \$3,223,000, and \$2,546,000, respectively, representing the mark-to-market of the option shares to \$45.05 and \$34.36 per share, respectively, net of the expense resulting from the LIBOR charges.

Our aggregate net gain from inception of this investment in 2005 through March 31, 2007 is \$172,397,000.

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

6. Investments in Partially Owned Entities

Toys “R” Us (“Toys”)

As of March 31, 2007, we own 32.9% of Toys. Below is a summary of Toys’ latest available financial information.

(in thousands)		
Balance Sheet:	As of February 3, 2007	As of January 28, 2006
Total Assets	\$ 11,790,000	\$ 11,655,000
Total Liabilities	\$ 10,637,000	\$ 10,347,000
Total Equity	\$ 1,153,000	\$ 1,308,000
	For the Three Months Ended February 3, 2007	For the Three Months Ended January 28, 2006
Income Statement:		
Total Revenues	\$ 5,679,000	\$ 4,886,000
Net Income	\$ 172,900	\$ 150,000

The Lexington Master Limited Partnership (“Lexington MLP”)

On December 31, 2006, Newkirk Realty Trust (NYSE: NKT) was acquired in a merger by Lexington Corporate Properties Trust (“Lexington”) (NYSE: LXP), a real estate investment trust. We owned 10,186,991 limited partnership units (representing a 15.8% investment ownership interest) of Newkirk MLP, which was also acquired by Lexington as a subsidiary, and was renamed Lexington MLP. The units in Newkirk MLP, which we accounted for on the equity method, were converted on a 0.80 for 1 basis into limited partnership units of Lexington MLP, which we also account for on the equity method. The Lexington MLP units are exchangeable on a one-for-one basis into common shares of Lexington. We will record our pro rata share of Lexington MLP’s net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that Lexington files its financial statements. Accordingly, our “equity in net income or loss from partially owned entities” for the three months ended March 31, 2007 does not include our share of Lexington MLP’s net income or loss for its first quarter ended March 31, 2007.

As of March 31, 2007, the market value of our investment in Lexington MLP was \$172,201,000, based on Lexington’s March 30, 2007 closing share price of \$21.13.

GMH Communities L.P. (“GMH”)

As of March 31, 2007, we own 7,337,857 limited partnership units (which are exchangeable on a one-for-one basis into common shares of GMH Communities Trust (“GCT”) (NYSE: GCT), a real estate investment trust that conducts its business through GMH and of which it is the sole general partner, and 2,517,247 common shares of GCT (1,817,247 shares were received upon exercise of our warrants discussed below), or 13.5% of the limited partnership interest of GMH. We account for our investment in GMH on the equity method and record our pro rata share of GMH’s net income or loss on a one-quarter lag basis as we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that GCT files its financial statements.

As of March 31, 2007, the market value of our investment in GMH and GCT was \$98,452,000, based on GCT’s March 30, 2007 closing share price of \$9.99.

Alexander’s (NYSE: ALX):

As of March 31, 2007, we own 32.8% of the outstanding common stock of Alexander’s. We manage, lease and develop Alexander’s properties pursuant to agreements, which expire in March of each year and are automatically renewable. As of March 31, 2007, Alexander’s owed us \$36,311,000 for fees under these agreements.

As of March 31, 2007, the market value of our investment in Alexander’s was \$680,980,000, based on Alexander’s March 30, 2007 closing share price of \$411.70.

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

6. Investments in Partially Owned Entities - continued

The carrying amount of our investments in partially owned entities and income (loss) recognized from such investments are as follows:

Investments: (Amounts in thousands)	As of March 31, 2007	As of December 31, 2006
	2007	2006
Toys	\$ 375,132	\$ 317,145
H Street non-consolidated subsidiaries (see page 10)	\$ 210,188	\$ 207,353
Lexington MLP, formerly Newkirk MLP	184,961	184,961
Partially Owned Office Buildings (1)	163,679	150,954
GMH	101,363	103,302
India Real Estate Ventures	95,271	93,716
Alexander's	92,867	82,114
Beverly Connection Joint Venture ("Beverly Connection")	84,193	82,101
Other Equity Method Investments	309,589	231,168
	<u>\$ 1,242,111</u>	<u>\$ 1,135,669</u>
Our Share of Net Income (Loss): (Amounts in thousands)	For the Three Months Ended March 31,	
	2007	2006
Toys:		
32.9% share of equity in net income (2)	\$ 56,815	\$ 49,275
Interest and other income	1,846	3,485
	<u>\$ 58,661</u>	<u>\$ 52,760</u>
Alexander's:		
32.8% in 2007 and 33.0% in 2006 share of:		
Equity in net income before net gain on sale of condominiums and stock appreciation rights compensation expense	\$ 6,116	\$ 4,143
Stock appreciation rights compensation income (expense)	4,694	(12,395)
Net gain on sale of condominiums	—	1,858
Equity in net income (loss)	10,810	(6,394)
Management and leasing fees	2,181	2,588
Development and guarantee fees	528	211
	<u>\$ 13,519</u>	<u>\$ (3,595)</u>
H Street Non-Consolidated Subsidiaries:		
50% share of equity in income (loss) (3)	\$ 2,834	\$ (233)
Beverly Connection:		
50% share of equity in net loss	(1,327)	(3,967)
Interest and fee income	2,277	2,932
	950	(1,035)
GMH:		
13.5% in 2007 and 11.3% in 2006 share of equity in net loss (4)	(312)	—
Lexington MLP, formerly Newkirk MLP:		
7.4% in 2007 and 15.8% in 2006 share of equity in net income (5)	—	4,158
Interest and other income	—	45
	—	4,203
Other	5,633	3,116
	<u>\$ 9,105</u>	<u>\$ 6,051</u>

See notes on following page.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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6. Investments in Partially Owned Entities - continued

Notes to preceding tabular information:

- (1) Includes interests in 330 Madison Avenue (25%), 825 Seventh Avenue (50%), Fairfax Square (20%), Kaempfer equity interests in three office buildings (2.5% to 5.0%), Rosslyn Plaza (46%) and West 57th Street properties (50%).
- (2) The business of Toys is highly seasonal. Historically, Toys' fourth quarter net income accounts for more than 80% of its fiscal year net income. Because Toys' fiscal year ends on the Saturday nearest January 31, we record our 32.9% share of Toys' net income or loss on a one-quarter lag basis.
- (3) Our share of H Street's non-consolidated subsidiaries' equity in net income was not included in the three months ended March 31, 2006, because prior to the quarter ended June 30, 2006, the two entities contesting our acquisition of H Street impeded our access to this financial information.
- (4) We record our pro rata share of GMH's net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that GCT files its financial statements. Our "equity in net income or loss from partially owned entities" for the three months ended March 31, 2006 did not include any income or loss related to GMH's fourth quarter of 2005 because GMH had delayed the filing of its annual report on Form 10-K for the year ended December 31, 2005 until May 15, 2006.
- (5) We record our pro rata share of Lexington MLP's net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that Lexington files its financial statements. Accordingly, our "equity in net income or loss from partially owned entities" for the three months ended March 31, 2007 does not include our share of Lexington MLP's net income or loss for its first quarter ended March 31, 2007.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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6. Investments in Partially Owned Entities - continued

Below is a summary of the debt of partially owned entities as of March 31, 2007 and December 31, 2006, none of which is guaranteed by us.

	100% of Partially Owned Entities Debt	
	March 31, 2007	December 31, 2006
(Amounts in thousands)		
Toys (32.9% interest):		
\$1.3 billion senior credit facility, due 2008, LIBOR plus 3.00% (8.32% at March 31, 2007)	\$ 1,300,000	\$ 1,300,000
\$2.0 billion credit facility, due 2010, LIBOR plus 1.00%-3.75%	—	836,000
\$804 million secured term loan facility, due 2012, LIBOR plus 4.25% (9.61% at March 31, 2007)	800,000	800,000
Mortgage loan, due 2007, LIBOR plus 1.30% (6.62% at March 31, 2007)	800,000	800,000
Senior U.K. real estate facility, due 2013, 4.56% plus 0.28% to 1.50% (5.02% at March 31, 2007)	700,000	676,000
7.625% bonds, due 2011 (Face value – \$500,000)	478,000	477,000
7.875% senior notes, due 2013 (Face value – \$400,000)	370,000	369,000
7.375% senior notes, due 2018 (Face value – \$400,000)	329,000	328,000
\$181 million secured term loan facility, due 2013, LIBOR + 5.00% (10.35% at March 31, 2007)	180,000	—
Toys “R” Us - Japan short-term borrowings, 2006, tiered rates (weighted average rate of 0.86% at March 31, 2007)	151,000	285,000
8.750% debentures, due 2021 (Face value – \$200,000)	21,000	193,000
4.51% Spanish real estate facility, due 2013	173,000	171,000
Toys “R” Us - Japan bank loans, due 2007-2014, 1.20%-2.80%	152,000	156,000
6.81% Junior U.K. real estate facility, due 2013	121,000	118,000
4.51% French real estate facility, due 2013	84,000	83,000
Note at an effective cost of 2.23% due in semi-annual installments through 2008	49,000	50,000
\$200 million asset sale facility, due 2008, LIBOR plus 3.00% - 4.00% (9.32% at March 31, 2007)	44,000	44,000
Multi-currency revolving credit facility, due 2010, LIBOR plus 1.50%-2.00%	—	190,000
Other	42,000	39,000
	5,794,000	6,915,000
Alexander’s (32.8% interest):		
731 Lexington Avenue mortgage note payable collateralized by the office space, due in February 2014, with interest at 5.33% (prepayable without penalty)	390,808	393,233
731 Lexington Avenue mortgage note payable, collateralized by the retail space, due in July 2015, with interest at 4.93% (prepayable without penalty)	320,000	320,000
Kings Plaza Regional Shopping Center mortgage note payable, due in June 2011, with interest at 7.46% (prepayable with yield maintenance)	206,185	207,130
Rego Park mortgage note payable, due in June 2009, with interest at 7.25% (prepayable without penalty after March 2009)	79,909	80,135
Paramus mortgage note payable, due in October 2011, with interest at 5.92% (prepayable without penalty)	68,000	68,000
	1,064,902	1,068,498
Lexington MLP (formerly Newkirk MLP) (7.4% interest in 2007 and 15.8% interest in 2006):		
Portion of first mortgages collateralized by the partnership’s real estate, due from 2006 to 2024, with a weighted average interest rate of 6.32% (various prepayment terms)	2,129,025	2,101,104
GMH (13.5% interest):		
Mortgage notes payable, collateralized by 71 properties, due from 2007 to 2024, with a weighted average interest rate of 5.63% (various prepayment terms)	1,227,725	957,788
H Street non-consolidated entities (50% interest):		
Mortgage notes payable, collateralized by 6 properties, due from 2007 to 2029 with a weighted average interest rate of 6.90% at March 31, 2007	348,929	351,584

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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6. Investments in Partially-Owned Entities - continued

(Amounts in thousands)	100% of Partially Owned Entities Debt	
	March 31, 2007	December 31, 2006
Partially owned office buildings:		
Kaempfer Properties (2.5% to 5.0% interests in two partnerships) mortgage notes payable, collateralized by the partnerships' real estate, due from 2011 to 2031, with a weighted average interest rate of 6.61% at March 31, 2007 (various prepayment terms)	\$ 145,300	\$ 145,640
Fairfax Square (20% interest) mortgage note payable, due in August 2009, with interest at 7.50%	64,900	65,178
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)	22,074	22,159
Rosslyn Plaza (46% interest) mortgage note payable, due in November 2007, with interest at 7.28% (prepayable without penalty)	57,219	57,396
West 57 th Street (50% interest) mortgage note payable, due in October 2009, with interest at 4.94% (prepayable without penalty after July 2009)	29,000	29,000
Verde Realty Master Limited Partnership (7.45% interest) mortgage notes payable, collateralized by the partnerships' real estate, due from 2006 to 2025, with a weighted average interest rate of 5.74% at March 31, 2007 (various prepayment terms)	289,289	311,133
Monmouth Mall (50% interest) mortgage note payable, due in September 2015, with interest at 5.44% (prepayable with yield maintenance)	165,000	165,000
Green Courte Real Estate Partners, LLC (8.3% interest) mortgage notes payable, collateralized by the partnerships' real estate, due from 2006 to 2015, with a weighted average interest rate of 5.58% (various prepayment terms)	215,436	201,556
San Jose, California Ground-up Development (45% interest) construction loan, due in March 2009, with a one-year extension option and interest at 7.13% (LIBOR plus 1.75%)	44,077	50,659
Beverly Connection (50% interest) mortgage and mezzanine loans payable, due in February 2008 and July 2008, with a weighted average interest rate of 10.02%, \$70,000 of which is due to Vornado (prepayable with yield maintenance)	170,000	170,000
TCG Urban Infrastructure Holdings (25% interest) mortgage notes payable, collateralized by the entity's real estate, due from 2008 to 2022, with a weighted average interest rate of 9.97% at March 31, 2007 (various prepayment terms)	61,331	45,601
478-486 Broadway (50% interest) mortgage note payable, due October 2007, with interest at 8.53% (LIBOR plus 3.15%) (prepayable with yield maintenance)	20,000	20,000
Wells/Kinzie Garage (50% interest) mortgage note payable, due in June 2009, with interest at 7.03%	14,674	14,756
Orleans Hubbard Garage (50% interest) mortgage note payable, due in April 2009, with interest at 7.03%	9,206	9,257
Other	33,464	23,656

Based on our ownership interest in the partially-owned entities above, our pro rata share of the debt of these partially-owned entities was \$2,997,428,000 and \$3,323,007,000 as of March 31, 2007 and December 31, 2006, respectively.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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7. Notes and Mortgage Loans Receivable

Blackstone/Equity Office Properties Loan

On March 29, 2007, we acquired a 9.4% interest in a \$772,600,000 mezzanine loan for \$72,400,000 in cash. The loan bears interest at LIBOR plus 2.85% (8.17% at March 31, 2007) and matures in February 2009 with three one-year extensions. The loan is subordinate to \$24.6 billion of other debt and is collateralized by a direct equity interest in an entity which has indirect equity and cash flow pledges from various levels of ownership of a portfolio of office buildings purchased by Blackstone from Equity Office Properties.

Fortress Loan

On March 30, 2007, we were repaid \$35,348,000 of the \$99,500,000 outstanding balance of the loan, together with accrued interest of \$2,205,000 and a prepayment premium of \$177,000, which we recognized as "interest and other investment income" in the three months ended March 31, 2007.

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

The following summarizes our identified intangible assets, intangible liabilities (deferred credit) and goodwill as of March 31, 2007 and December 31, 2006.

(Amounts in thousands)	March 31, 2007	December 31, 2006
Identified intangible assets (included in other assets):		
Gross amount	\$ 484,158	\$ 395,109
Accumulated amortization	(100,672)	(90,857)
Net	\$ 383,486	\$ 304,252
Goodwill (included in other assets):		
Gross amount	\$ 7,280	\$ 7,280
Identified intangible liabilities (included in deferred credit):		
Gross amount	\$ 639,986	\$ 370,638
Accumulated amortization	(77,831)	(62,829)
Net	\$ 562,155	\$ 307,809

Amortization of acquired below market leases, net of acquired above market leases (a component of rental income) was \$14,005,000 and \$4,799,000 for the three months ended March 31, 2007 and March 31, 2006, 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)	
2008	\$ 51,760
2009	45,452
2010	34,807
2011	32,018
2012	30,432

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)	
2008	\$ 30,953
2009	30,182
2010	28,579
2011	27,215
2012	23,592

We are a tenant under ground leases for certain properties acquired during 2006. Amortization of these acquired below market leases resulted in an increase to rent expense of \$384,000 for the three months ended March 31, 2007. The estimated annual amortization of these below market leases for each of the five succeeding years is as follows:

(Amounts in thousands)	
2008	\$ 1,535
2009	1,535
2010	1,535
2011	1,535
2012	1,535

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

9. Debt

The following is a summary of our debt:

(Amounts in thousands)

Notes and Mortgages Payable:	Maturity	Interest Rate as of March 31, 2007	Balance as of	
			March 31, 2007	December 31, 2006
Fixed Interest:				
Office:				
NYC Office:				
350 Park Avenue	01/12	5.48%	\$ 430,000	\$ 430,000
770 Broadway	03/16	5.65%	353,000	353,000
888 Seventh Avenue	01/16	5.71%	318,554	318,554
Two Penn Plaza	02/11	4.97%	295,291	296,428
909 Third Avenue	04/15	5.64%	219,526	220,314
Eleven Penn Plaza	12/14	5.20%	212,800	213,651
866 UN Plaza	05/07	8.39%	45,102	45,467
Washington DC Office:				
Skyline Place (1)	02/17	5.74%	678,000	155,358
Warner Building	05/16	6.26%	292,700	292,700
Crystal Gateway 1-4 and Crystal Square 5	07/12-07/19	6.75%-7.09%	206,473	207,389
Crystal Park 1-4 (2)	09/08-08/13	6.66%-7.08%	152,849	201,012
Crystal Square 2, 3 and 4	10/10-11/14	6.82%-7.08%	135,609	136,317
Bowen Building	06/16	6.14%	115,022	115,022
Reston Executive I, II and III	01/13	5.57%	93,000	93,000
1101 17 th , 1140 Connecticut, 1730 M and 1150 17 th	08/10	6.74%	90,787	91,232
Courthouse Plaza 1 and 2	01/08	7.05%	74,006	74,413
Crystal Gateway N. and Arlington Plaza	11/07	6.77%	52,304	52,605
1750 Pennsylvania Avenue	06/12	7.26%	47,645	47,803
Crystal Malls 1-4	12/11	6.91%	40,953	42,675
Retail:				
Cross collateralized mortgages payable on 42 shopping centers				
Springfield Mall (including present value of purchase option of \$69,507)	03/10	7.93%	461,379	463,135
Green Acres Mall	04/13	5.45%	261,412	262,391
Montehiedra Town Center	02/08	6.75%	139,614	140,391
Broadway Mall	06/16	6.04%	120,000	120,000
Westbury Retail Condominium	06/13	6.42%	98,615	99,154
Las Catalinas Mall	06/18	5.29%	80,000	80,000
Forest Plaza	11/13	6.97%	63,093	63,403
The Cannery (acquired in March 2007)	05/09	4.00%	19,009	19,232
Rockville Town Center	09/11	7.40%	18,319	—
Lodi Shopping Center	12/10	5.52%	14,796	14,883
Hubbard's Path Shopping Center (acquired in March 2007)	06/14	5.12%	11,428	11,522
386 West Broadway	05/11	4.81%	6,909	—
	05/13	5.09%	4,776	4,813
Merchandise Mart:				
Merchandise Mart	12/16	5.57%	550,000	550,000
High Point Complex	08/16	6.34%	221,365	220,000
Boston Design Center	09/15	5.02%	72,000	72,000
Washington Design Center	11/11	6.95%	46,159	46,328
Temperature Controlled Logistics:				
Cross collateralized mortgages payable on 50 properties	02/11-12/16	5.48%	1,055,746	1,055,712
Other:				
Industrial Warehouses	10/11	6.95%	47,033	47,179
Total Fixed Interest Notes and Mortgages Payable		5.97%	7,145,274	6,657,083

See notes on page 20.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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9. Debt - continued

(Amounts in thousands)

Notes and Mortgages Payable:	Maturity	Spread over LIBOR	Interest Rate as of March 31, 2007	Balance as of	
				March 31, 2007	December 31, 2006
Variable Interest:					
Office:					
New York Office:					
100 West 33 rd Street	02/09	L+55	5.87%	\$ 232,000	\$ —
Washington, DC Office:					
Commerce Executive III, IV and V	07/07	L+70	6.02%	50,373	50,523
1925 K Street (3)	N/A	N/A	N/A	—	19,422
Other:					
220 Central Park South	11/08	L+235-L+245	7.69%	122,990	122,990
Other	05/07-04/10	Various	7.53%	40,223	36,866
Total Variable Interest Notes and Mortgages Payable			6.54%	445,586	229,801
Total Notes and Mortgages Payable			6.01%	\$ 7,590,860	\$ 6,886,884
Convertible Senior Debentures:					
Due 2027 (4)	04/12 (6)		2.85%	\$ 1,372,078	\$ —
Due 2026	11/11 (6)		3.63%	981,096	980,083
Total Convertible Senior Debentures				\$ 2,353,174	\$ 980,083
Senior Unsecured Notes:					
Senior unsecured notes due 2007 at fair value (accreted carrying amounts of \$499,838 and \$499,673) (5)					
	06/07	L+77	6.12%	\$ 499,261	\$ 498,562
Senior unsecured notes due 2009	08/09		4.50%	249,080	248,984
Senior unsecured notes due 2010	12/10		4.75%	199,294	199,246
Senior unsecured notes due 2011	02/11		5.60%	249,820	249,808
Total senior unsecured notes			5.45%	\$ 1,197,455	\$ 1,196,600
Exchangeable Senior Debentures due 2025	04/12 (6)		3.88%	\$ 491,639	\$ 491,231
\$1 billion unsecured revolving credit facility (\$26,779 reserved for outstanding letters of credit)					
	06/10	L+55	N/A	\$ —	\$ —
AmeriCold \$30 million secured revolving credit facility (\$17,500 reserved for outstanding letters of credit)					
	10/08	L+175	N/A	\$ —	\$ —

See notes on following page.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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9. Debt - continued

Notes to preceding tabular information:

(\$ in thousands, except per share amounts)

- (1) On January 26, 2007, we completed a \$678,000 financing of our Skyline Complex in Fairfax Virginia, consisting of eight office buildings containing 2,560,000 square feet. This loan bears interest only at 5.74% and matures in February 2017. We retained net proceeds of approximately \$515,000 after repaying existing loans and closing costs, including \$5,771 for prepayment penalties and defeasance costs, which, is included in "interest and debt expense" in the quarter ended March 31, 2007.
- (2) On March 30, 2007, we repaid the \$47,011 balance of the Crystal Park 2 mortgage.
- (3) On March 1, 2007, we repaid the \$19,394 balance of the 1925 K Street mortgage.
- (4) On March 21, 2007, Vornado Realty Trust sold \$1.4 billion aggregate principal amount of 2.85% convertible senior debentures due 2027, pursuant to an effective registration statement. The aggregate net proceeds from this offering, after underwriters' discounts and expenses, were approximately \$1.37 billion. The debentures are redeemable at our option beginning in 2012 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require us to repurchase their debentures in 2012, 2017, and 2022 and in certain other limited circumstances. The debentures are convertible, under certain circumstances, for cash and Vornado common shares at an initial conversion rate of 6.1553 common shares per \$1,000 of principal amount of debentures. The initial conversion price is \$162.46, which represents a premium of 30% over the March 21, 2007 closing price of \$124.97 for our common shares. The principal amount of debentures will be settled for cash and the amount in excess of the principal defined as the conversion value will be settled in cash or, at our election, Vornado common shares.

We are amortizing the underwriters' discount on a straight-line basis (which approximates the interest method) over the period from the date of issuance to the date of earliest redemption of April 1, 2012. Because the conversion option associated with the debentures when analyzed as a freestanding instrument meets the criteria to be classified as equity specified by paragraphs 12 to 32 of EITF 00-19 "*Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's own Common Stock,*" separate accounting for the conversion option under SFAS No. 133 "*Accounting for Derivative Instruments and Hedging Activities*" is not appropriate.

The net proceeds of the offering were contributed to the Operating Partnership in the form of an inter-company loan and the Operating Partnership guaranteed the payment of the debentures.

- (5) On April 10, 2007, we called for the redemption of our \$500,000 5.625% senior unsecured notes at the face amount plus accrued interest. The notes, which were due on June 15, 2007, will be redeemed on May 11, 2007.
- (6) Represents the earliest date the bond holders can require us to repurchase the debentures.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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10. Fee and Other Income

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

(Amounts in thousands)	For the Three Months Ended March 31,	
	2007	2006
Tenant cleaning fees	\$ 9,843	\$ 8,142
Management and leasing fees	7,199	2,648
Lease termination fees	3,441	4,482
Other income	8,580	6,385
	<u>\$ 29,063</u>	<u>\$ 21,657</u>

Fee and other income above include management fee income from Interstate Properties, a related party, of \$206,000 and \$188,000 in the three months ended March 31, 2007 and 2006, respectively. The above table excludes fee income from partially-owned entities, which is included in income from partially-owned entities (see Note 6 – Investments in Partially-Owned Entities).

11. Discontinued Operations

The following table sets forth the assets and liabilities related to discontinued operations at March 31, 2007 and December 31, 2006, which consist primarily of the net book value of real estate of properties available for sale.

	Assets related to Discontinued Operations		Liabilities related to Discontinued Operations	
	as of		as of	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
Vineland, New Jersey	\$ 908	\$ 908	\$ —	\$ —

The following table sets forth the combined results of operations related to discontinued operations for the three months ended March 31, 2007 and 2006.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2007	2006
Revenues	\$ 23	\$ 2,128
Expenses	54	1,553
Net (loss) income	(31)	575
Net gain on sale of 424 Sixth Avenue	—	9,218
Net gain on sale of 33 North Dearborn Street	—	4,835
Net gain on disposition of other real estate	—	2,107
(Loss) income from discontinued operations, net of minority interest	<u>\$ (31)</u>	<u>\$ 16,735</u>

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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12. 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 potentially dilutive share equivalents. Potentially dilutive share equivalents include our Series A convertible preferred shares, employee stock options and restricted share awards, exchangeable senior debentures due 2025 as well as Operating Partnership convertible preferred units.

(Amounts in thousands, except per share amounts)	For The Three Months Ended March 31,	
	2007	2006
Numerator:		
Income from continuing operations, net of minority interest in the Operating Partnership	\$ 166,962	\$ 132,477
(Loss) income from discontinued operations, net of minority interest	(31)	16,735
Net income	166,931	149,212
Preferred share dividends	(14,296)	(14,407)
Numerator for basic income per share – net income applicable to common shares	152,635	134,805
Impact of assumed conversions:		
Interest on 3.875% exchangeable senior debentures	5,309	—
Convertible preferred share dividends	73	191
Numerator for diluted income per share – net income applicable to common shares	\$ 158,017	\$ 134,996
Denominator:		
Denominator for basic income per share – weighted average shares	151,428	141,150
Effect of dilutive securities (1):		
Employee stock options and restricted share awards	6,888	7,488
3.875% exchangeable senior debentures	5,560	—
Convertible preferred shares	125	326
Denominator for diluted income per share – adjusted weighted average shares and assumed conversions	164,001	148,964
INCOME PER COMMON SHARE – BASIC:		
Income from continuing operations	\$ 1.01	\$ 0.84
Income from discontinued operations, net of minority interest	—	0.12
Net income per common share	\$ 1.01	\$ 0.96
INCOME PER COMMON SHARE – DILUTED:		
Income from continuing operations	\$ 0.96	\$ 0.80
Income from discontinued operations, net of minority interest	—	0.11
Net income per common share	\$ 0.96	\$ 0.91

(1) The effect of dilutive securities in the three months ended March 31, 2007 and 2006 excludes an aggregate of 1,684,178 and 6,959,915 weighted average common share equivalents, respectively, as their effect was anti-dilutive.

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

13. Comprehensive Income

(Amounts in thousands)	For The Three Months Ended March 31,	
	2007	2006
Net income	\$ 166,931	\$ 149,212
Other comprehensive income	6,761	15,184
Comprehensive income	\$ 173,692	\$ 164,396

Substantially all of other comprehensive income for the three months ended March 31, 2007 and 2006 relates to income from the mark-to-market of marketable equity securities classified as available-for-sale.

14. Stock-based Compensation

Our Share Option Plan (the "Plan") provides for grants of incentive and non-qualified stock options, restricted stock, stock appreciation rights, performance shares and limited partnership units to certain of our employees and officers.

We account for stock-based compensation in accordance with SFAS No. 123: *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148: *Accounting for Stock-Based Compensation - Transition and Disclosure* and as revised by SFAS No. 123R: *Share-Based Payment* ("SFAS No. 123R"). We adopted SFAS No. 123R, using the modified prospective application, on January 1, 2006. Stock based compensation expense for the three months ended March 31, 2007 and 2006 consists of stock option awards, restricted common share and Operating Partnership unit awards and our 2006 Out-Performance Plan awards.

During the three months ended March 31, 2007 and 2006, we recognized \$5,647,000 and \$1,241,000 of stock-based compensation expense, respectively, of which \$3,163,000 in 2007 relates to our 2006 Out-Performance Plan.

15. Commitments and Contingencies

At March 31, 2007, our \$1 billion revolving credit facility, which expires in June 2010, had a zero outstanding balance and \$26,779,000 was reserved for outstanding letters of credit. This facility contains financial covenants, which require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provides for higher interest rates in the event of a decline in our ratings below Baa3/BBB. At March 31, 2007, AmeriCold's \$30,000,000 revolving credit facility had a zero outstanding balance and \$17,500,000 was reserved for outstanding letters of credit. This facility requires AmeriCold to maintain, on a trailing four-quarter basis, a minimum of \$30,000,000 of free cash flow, as defined. Both of these facilities contain customary conditions precedent to borrowing, including representations and warranties and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

We have made acquisitions and investments in partially owned entities for which we are committed to fund additional capital aggregating \$66,261,000. Of this amount, \$25,000,000 relates to capital expenditures to be funded over the next six years at the Springfield Mall, in which we have a 97.5% interest.

On November 10, 2005, we committed to fund the junior portion of up to \$30,530,000 of a \$173,000,000 construction loan to an entity developing a mixed-use building complex in Boston, Massachusetts, at the north end of the Boston Harbor. We will earn current-pay interest at 30-day LIBOR plus 11%. The loan will mature in November 2008, with a one-year extension option. As of March 31, 2007, we have funded \$5,471,000 of this commitment.

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), senior unsecured notes, exchangeable senior debentures, convertible senior debentures and revolving credit agreements, contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage under these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain, or if the Terrorism Risk Insurance Extension Act of 2005 is not extended past 2007, it could adversely affect our ability to finance and/or refinance our properties and expand our portfolio.

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

15. Commitments and Contingencies - continued

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

We enter into agreements for the purchase and resale of U.S. government obligations for periods of up to one week. The obligations purchased under these agreements are held in safekeeping in our name by various money center banks. We have the right to demand additional collateral or return of these invested funds at any time the collateral value is less than 102% of the invested funds plus any accrued earnings thereon. We had \$44,430,000 and \$219,990,000 of cash invested in these agreements at March 31, 2007 and December 31, 2006, respectively.

From time to time, we have disposed of substantial amounts of real estate to third parties for which, as to certain properties, we remain contingently liable for rent payments or mortgage indebtedness that cannot be quantified.

Litigation

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey claiming we had no right to reallocate and therefore continue to collect \$5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty. On May 17, 2005, we filed a motion for summary judgment. On July 15, 2005, Stop & Shop opposed our motion and filed a cross-motion for summary judgment. On December 13, 2005, the Court issued its decision denying the motions for summary judgment. Both parties appealed the Court's decision and on December 14, 2006, the Appellate Court division issued a decision affirming the Court's decision. On January 16, 2007 we filed a motion for the reconsideration of one aspect of the Appellate Court's decision which was denied on March 13, 2007. On April 16, 2007, the Court directed that discovery should be completed by December 2007, with a trial date to be determined thereafter. We intend to vigorously pursue our claims against Stop & Shop.

On July 22, 2005, two corporations owned 50% by H Street filed a complaint against the Company, H Street and three parties affiliated with the sellers of H Street in the Superior Court of the District of Columbia alleging that we encouraged H Street and the affiliated parties to breach their fiduciary duties to these corporations and interfered with prospective business and contractual relationships. The complaint seeks an unspecified amount of damages and a rescission of our acquisition of H Street. On September 12, 2005, we filed a complaint against each of those corporations and their acting directors seeking a restoration of H Street's full shareholder rights and damages. In addition, on July 29, 2005, a tenant under ground leases for which one of these 50%-owned corporations is the landlord brought a separate suit in the Superior Court of the District of Columbia, alleging, among other things, that the acquisition of H Street violated a provision giving them a right of first offer and seeks rescission of our acquisition, the right to acquire H Street for the price paid by us and/or damages. On July 14, 2006, we filed a counterclaim against the tenant asserting that the tenant and the other owner of the 50%-owned ground landlord deliberately excluded H Street from negotiating and executing a purported amendment to the agreement to lease when H Street's consent and execution was required and, consequently, that the amended agreement and the related ground leases are invalid, the tenant is in default under the ground leases and the ground leases are void and without any effect. All of these legal actions were dismissed in connection with our acquisition of these corporations on April 30, 2007.

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

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

16. Retirement Plans

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

(Amounts in thousands)	For The Three Months Ended March 31,	
	2007	2006
Service cost	\$ 116	\$ 168
Interest cost	1,197	1,206
Expected return on plan assets	(1,594)	(1,474)
Amortization of net loss	67	73
Net periodic benefit cost	<u>\$ (214)</u>	<u>\$ (27)</u>

Employer Contributions

We made contributions of \$366,000 and \$265,000 to the plans during the three months ended March 31, 2007 and 2006, respectively. We anticipate additional contributions of \$3,446,000 to the plans during the remainder of 2007.

17. Costs of Acquisition Not Consummated

In the first quarter of 2007, the Company wrote-off \$8,807,000 of costs associated with the Equity Office Properties Trust acquisition not consummated.

18. Related Party Transactions

Transactions with Affiliates and Officers and Trustees of the Company

On March 13, 2007, Michael Fascitelli, our President and President of Alexander's, exercised 350,000 of his Alexander's stock appreciation rights ("SARS"), which were scheduled to expire on March 14, 2007 and received \$144.18 for each SAR exercised, representing the difference between Alexander's stock price of \$388.01 (the average of the high and low market price) on the date of exercise and the exercise price of \$243.83.

On March 26, 2007, Joseph Macnow, Executive Vice President – Finance and Administration and Chief Financial Officer, repaid to the Company his \$2,000,000 outstanding loan which was scheduled to mature in June 2007.

Effective as of April 19, 2007, the Company entered into a new employment agreement with Mitchell Schear, the President of our Washington, DC Office Division. This agreement, which replaced his prior agreement, was approved by the Compensation Committee of our Board of Trustees and provides for a term of five years and is automatically renewable for one-year terms thereafter. The agreement also provides for a minimum salary of \$1,000,000 per year and bonuses and other customary benefits. Pursuant to the terms of the agreement, on April 19, 2007, the Compensation Committee granted an option to Mr. Schear to acquire 200,000 of our common shares at an exercise price of \$119.94 per share. These options vest ratably over three years beginning in 2010 and accelerate on a change of control or if his employment is terminated by the Company without cause or by him for breach by the Company. The agreement also provides that if Mr. Schear's employment is terminated by the Company without cause or by him for breach by the Company, he will receive a lump-sum payment equal to one time salary and bonus, up to a maximum of \$2,000,000.

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

19. Segment 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, 2007 and 2006.

(Amounts in thousands)

	For the Three Months Ended March 31, 2007							
	Total	Office		Retail	Merchandise Mart	Temperature Controlled Logistics	Toys	Other ⁽²⁾
		New York	Washington, DC					
Property rentals	\$ 400,887	\$ 137,648	\$ 103,179	\$ 77,721	\$ 64,108	\$ —	\$ —	\$ 18,231
Straight-line rents:								
Contractual rent increases	14,586	10,414	479	2,897	654	—	—	142
Amortization of free rent	5,889	398	4,849	272	370	—	—	—
Amortization of acquired below-market leases, net	14,005	7,292	973	5,239	30	—	—	471
Total rentals	435,367	155,752	109,480	86,129	65,162	—	—	18,844
Temperature Controlled Logistics	200,093	—	—	—	—	200,093	—	—
Tenant expense reimbursements	72,533	28,708	8,933	28,697	5,283	—	—	912
Fee and other income:								
Tenant cleaning fees	9,843	12,086	—	—	—	—	—	(2,243)
Management and leasing fees	7,199	855	6,561	344	22	—	—	(583)
Lease termination fees	3,441	1,798	95	1,505	43	—	—	—
Other	8,580	3,781	2,827	354	1,562	—	—	56
Total revenues	737,056	202,980	127,896	117,029	72,072	200,093	—	16,986
Operating expenses	370,966	88,252	38,759	40,517	33,068	157,528	—	12,842
Depreciation and amortization	108,806	29,805	25,348	17,283	11,676	19,423	—	5,271
General and administrative	53,063	3,946	8,087	7,002	7,810	12,572	—	13,646
Costs of acquisition not consummated	8,807	—	—	—	—	—	—	8,807
Total expenses	541,642	122,003	72,194	64,802	52,554	189,523	—	40,566
Operating income (loss)	195,414	80,977	55,702	52,227	19,518	10,570	—	(23,580)
Income applicable to Alexander's	13,519	188	—	209	—	—	—	13,122
Income applicable to Toys "R" Us	58,661	—	—	—	—	—	58,661	—
Income from partially owned entities	9,105	1,287	3,692	1,295	339	410	—	2,082
Interest and other investment income	54,479	673	317	75	95	971	—	52,348
Interest and debt expense	(147,013)	(29,468)	(34,315)	(20,008)	(12,847)	(16,522)	—	(33,853)
Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate	909	—	—	—	—	—	—	909
Minority interest of partially owned entities	3,883	—	—	47	—	3,533	—	303
Income (loss) from continuing operations	188,957	53,657	25,396	33,845	7,105	(1,038)	58,661	11,331
(Loss) income from discontinued operations, net	(31)	—	—	(34)	—	—	—	3
Income (loss) before allocation to minority limited partners	188,926	53,657	25,396	33,811	7,105	(1,038)	58,661	11,334
Minority limited partners' interest in the Operating Partnership	(17,177)	—	—	—	—	—	—	(17,177)
Perpetual preferred unit distributions of the Operating Partnership	(4,818)	—	—	—	—	—	—	(4,818)
Net income (loss)	166,931	53,657	25,396	33,811	7,105	(1,038)	58,661	(10,661)
Interest and debt expense ⁽¹⁾	198,771	30,138	35,908	22,797	13,064	7,861	46,634	42,369
Depreciation and amortization ⁽¹⁾	163,151	30,742	28,259	18,286	11,822	9,268	55,396	9,378
Income tax expense ⁽¹⁾	55,584	—	1,615	—	330	53	53,397	189
EBITDA	\$ 584,437	\$ 114,537	\$ 91,178	\$ 74,894	\$ 32,321	\$ 16,144	\$ 214,088	\$ 41,275

Other segment EBITDA includes a \$9,380 net gain on mark-to-market of derivative instruments, \$8,807 for costs of acquisition not consummated and a \$909 net gain on sale of marketable equity securities. The Washington, DC Office segment includes \$1,891 of expense for H Street litigation costs.

See notes on page 28.

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

19. Segment Information – continued

(Amounts in thousands)

	For the Three Months Ended March 31, 2006							
	Total	Office		Retail	Merchandise Mart	Temperature Controlled Logistics	Toys	Other ⁽²⁾
		New York	Washington, DC					
Property rentals	\$ 350,734	\$ 119,702	\$ 99,863	\$ 60,984	\$ 53,960	\$ —	\$ —	\$ 16,225
Straight-line rents:								
Contractual rent increases	5,260	160	1,549	1,984	1,595	—	—	(28)
Amortization of free rent	7,310	1,867	3,534	1,358	551	—	—	—
Amortization of acquired below-market leases, net	4,799	(11)	1,184	2,209	115	—	—	1,302
Total rentals	368,103	121,718	106,130	66,535	56,221	—	—	17,499
Temperature Controlled Logistics	195,850	—	—	—	—	195,850	—	—
Tenant expense reimbursements	61,727	24,547	7,845	23,551	4,954	—	—	830
Fee and other income:								
Tenant cleaning fees	8,142	10,011	—	—	—	—	—	(1,869)
Management and leasing fees	2,648	230	2,045	360	13	—	—	—
Lease termination fees	4,482	3,771	61	371	279	—	—	—
Other	6,385	2,550	1,125	871	1,838	—	—	1
Total revenues	647,337	162,827	117,206	91,688	63,305	195,850	—	16,461
Operating expenses	331,915	74,087	35,011	28,476	28,405	154,332	—	11,604
Depreciation and amortization	90,305	22,761	25,112	10,407	11,095	17,069	—	3,861
General and administrative	45,864	3,873	8,150	4,923	6,021	10,260	—	12,637
Total expenses	468,084	100,721	68,273	43,806	45,521	181,661	—	28,102
Operating income (loss)	179,253	62,106	48,933	47,882	17,784	14,189	—	(11,641)
(Loss) income applicable to Alexander's	(3,595)	213	—	180	—	—	—	(3,988)
Income applicable to Toys "R" Us	52,760	—	—	—	—	—	52,760	—
Income from partially owned entities	6,051	644	666	42	334	395	—	3,970
Interest and other investment income	22,475	188	315	120	60	632	—	21,160
Interest and debt expense	(103,894)	(20,274)	(22,850)	(19,661)	(3,527)	(14,262)	—	(23,320)
Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate	548	—	—	—	—	—	—	548
Minority interest of partially owned entities	(274)	—	—	—	3	(468)	—	191
Income (loss) from continuing operations	153,324	42,877	27,064	28,563	14,654	486	52,760	(13,080)
Income (loss) from discontinued operations, net	16,735	—	(451)	9,340	5,739	2,107	—	—
Income (loss) before allocation to minority limited partners	170,059	42,877	26,613	37,903	20,393	2,593	52,760	(13,080)
Minority limited partners' interest in the Operating Partnership	(15,874)	—	—	—	—	—	—	(15,874)
Perpetual preferred unit distributions of the Operating Partnership	(4,973)	—	—	—	—	—	—	(4,973)
Net income (loss)	149,212	42,877	26,613	37,903	20,393	2,593	52,760	(33,927)
Interest and debt expense ⁽¹⁾	170,461	20,911	24,084	22,338	3,749	6,786	61,101	31,492
Depreciation and amortization ⁽¹⁾	125,431	23,364	26,661	13,246	11,236	8,148	34,164	8,612
Income tax expense ⁽¹⁾	25,738	—	233	—	41	408	24,966	90
EBITDA	\$ 470,842	\$ 87,152	\$ 77,591	\$ 73,487	\$ 35,419	\$ 17,935	\$ 172,991	\$ 6,267

EBITDA includes net gains on sale of real estate of \$16,160, of which \$9,218 is included in the Retail segment, \$4,835 is included in the Merchandise Mart segment and \$2,107 is included in the Temperature Controlled Logistics segment. In addition, EBITDA of the Washington, DC Office Segment and the Other Segment include \$1,468 and \$6,101 of expense, net, that affect comparability.

See notes on the following page.

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

19. Segment Information – continued

Notes to preceding tabular information

- (1) EBITDA represents “Earnings Before Interest, Taxes, Depreciation and Amortization.” We consider EBITDA a supplemental measure for making decisions and assessing the un-levered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on a multiple of EBITDA, we utilize this measure to make investment decisions as well as to compare the performance of our assets to that of our peers. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.
- (2) Other EBITDA is comprised of:

(Amounts in thousands)	For the Three Months Ended March 31,	
	2007	2006
Alexander’s (see page 11)	\$ 20,333	\$ 3,536
Lexington MLP, formerly Newkirk MLP (see page 11)	—	8,270
Hotel Pennsylvania	3,604	2,687
GMH (see page 11)	4,168	—
Industrial warehouses	1,373	1,512
Other investments	3,911	2,614
	33,389	18,619
Minority limited partners’ interest in the Operating Partnership	(17,177)	(15,874)
Perpetual preferred unit distributions of the Operating Partnership	(4,818)	(4,973)
Corporate general and administrative expenses	(12,374)	(11,512)
Costs of acquisition not consummated	(8,807)	—
Investment income and other	51,062	20,007
	\$ 41,275	\$ 6,267

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying consolidated balance sheet of Vornado Realty Trust as of March 31, 2007, and the related consolidated statements of income and cash flows for the three-month periods ended March 31, 2007 and 2006. 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 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, 2006, 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 27, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2006 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
May 1, 2007

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," "estimates," "intends," "plans," "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 our Annual Report on Form 10-K for the year ended December 31, 2006 under "Forward Looking Statements" and "Item 1. Business – Certain Factors That May Adversely Affect Our Business and Operations." For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. 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 include a discussion of our consolidated financial statements for the three months ended March 31, 2007. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Critical Accounting Policies

A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2006 in Management's Discussion and Analysis of Financial Condition. There have been no significant changes to our policies during 2007.

Overview

Business Objective and Operating Strategy

Our business objective is to maximize shareholder value. We measure our success in meeting this objective by our total return to shareholders. Below is a table comparing our performance to the Morgan Stanley REIT Index ("RMS") for the following periods ending March 31, 2007:

	Total Return ⁽¹⁾	
	Vornado	RMS
One-year	28.6%	22.1%
Three-years	123.4%	85.0%
Five-years	247.5%	171.0%
Ten-years	503.0%	294.5%

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

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

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

Competition

We compete 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. Our 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, we may experience lower occupancy rates, which may lead to lower initial rental rates, higher leasing costs and a corresponding decrease in our net income, funds from operations and cash flow. Alternatively, if economic growth is sustained, we may experience higher occupancy rates leading to higher initial rents and higher interest rates causing an increase in our weighted average cost of capital and a corresponding effect on our net income, funds from operations and cash flow. Our net income and funds from operations will also be affected by the seasonality of Toys' business and competition from discount and mass merchandisers.

Overview – continued

Quarter Ended March 31, 2007 Financial Results Summary

Net income applicable to common shares for the quarter ended March 31, 2007 was \$152,635,000, or \$0.96 per diluted share, versus \$134,805,000, or \$0.91 per diluted share, for the quarter ended March 31, 2006. Net income for the quarters ended March 31, 2007 and 2006 include certain items that affect comparability which are listed in the table on the following page. Net income for the quarter ended March 31, 2006 also includes \$16,160,000 for our share of net gains on sale of real estate. The aggregate of these items, net of minority interest, decreased net income applicable to common shares for the quarter ended March 31, 2007 by \$2,255,000, or \$0.01 per diluted share and increased net income for the quarter ended March 31, 2006 by \$6,759,000, or \$0.04 per diluted share.

Funds from operations applicable to common shares plus assumed conversions (“FFO”) for the quarter ended March 31, 2007 was \$270,165,000, or \$1.65 per diluted share, compared to \$211,916,000, or \$1.37 per diluted share, for the prior year’s quarter. FFO for the quarters ended March 31, 2007 and 2006 include certain items that affect comparability which are listed in the table on the following page. The aggregate of these items, net of minority interest, decreased FFO for the quarter ended March 31, 2007 by \$2,255,000, or \$0.01 per diluted share and decreased FFO for the quarter ended March 31, 2006 by \$6,993,000, or \$0.05 per diluted share.

Net income per diluted share and FFO per diluted share for the quarter ended March 31, 2007 were negatively impacted by an increase in weighted average common shares outstanding over the prior year’s quarter of 15,037,000 and 9,506,000, respectively.

We did not recognize income on certain assets with an aggregate carrying amount of \$909,000,000 during the quarter ended March 31, 2007, because they were out of service for redevelopment. Assets under development include all or portions of the Bergen Town Center, 2101 L Street, Crystal Mall Two, Crystal Plaza Two, 220 Central Park South, 40 East 66th Street, and investments in joint ventures including our Beverly Connection and Wasserman ventures.

The percentage increase (decrease) in the same-store Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) of our operating segments for the quarter ended March 31, 2007 over the quarter ended March 31, 2006 and the trailing quarter ended December 31, 2006 are summarized below.

Quarter Ended:	Office			Merchandise Mart	Temperature Controlled Logistics
	New York	Washington, DC	Retail		
March 31, 2007 vs. March 31, 2006	9.3%	6.0%	1.6% ⁽¹⁾	(3.5%)	(0.5%)
March 31, 2007 vs. December 31, 2006	(0.1%)	—%	(2.6%) ⁽²⁾	(4.5%)	(0.6%)

(1) The same store increase would be 5.1% exclusive of the effect of tenants vacating 44,425 square feet of New York City retail space in December 2006.

(2) The same store decrease would be (0.1%) exclusive of the effect of tenants vacating 44,425 square feet of New York City retail space in December 2006.

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

(Amounts in thousands)	For the Three Months Ended	
	March 31,	
	2007	2006
Items that affect comparability (income)/expense:		
Derivatives:		
McDonalds common shares	\$ (3,223)	\$ (6,300)
Sears Holdings common shares	—	(18,611)
GMH warrants	—	20,475
Other	(6,157)	—
Alexander's:		
Stock appreciation rights	(4,694)	12,395
Net gain on sale of 731 Lexington Avenue condominiums	—	(1,858)
Other:		
Costs of acquisition not consummated	8,807	—
Prepayment penalties and write-off of unamortized financing costs	5,861	—
H Street litigation costs	1,891	1,468
Other, net	—	—
	2,485	7,569
Minority limited partners' share of above adjustments	(230)	(576)
Total items that affect comparability	\$ 2,255	\$ 6,993

2007 Acquisitions and Significant Investments

100 West 33rd Street, New York City (the “Manhattan Mall”)

On January 10, 2007, we acquired the Manhattan Mall for approximately \$689,000,000 in cash. This mixed-use property is located on the entire Sixth Avenue block-front between 32nd and 33rd Streets in Manhattan and contains approximately 1,000,000 square feet, including 812,000 square feet of office space and 164,000 square feet of retail space. Included as part of the transaction are 250,000 square feet of additional air rights. The property is adjacent to our 1,400,000 square foot Hotel Pennsylvania. At closing, we completed a \$232,000,000 financing secured by the property, which bears interest at LIBOR plus 0.55% (5.87% at March 31, 2007) and matures in two years with three one-year extension options. The operations of the office component of the property will be included in the New York Office segment and the operations of the retail component will be included in the Retail segment. We consolidate the accounts of this property into our consolidated financial statements from the date of acquisition.

Bruckner Plaza, Bronx, New York

On January 11, 2007, we acquired the Bruckner Plaza shopping center, and an adjacent parcel containing 114,000 square feet which is ground leased to a third party, for approximately \$165,000,000 in cash. The property is located on Bruckner Boulevard in the Bronx, New York and contains 386,000 square feet of retail space. We consolidate the accounts of this property into our consolidated financial statements from the date of acquisition.

Filene’s, Boston, Massachusetts

On January 26, 2007, a joint venture in which we have a 50% interest, acquired the Filene’s property located in the Downtown Crossing district of Boston, Massachusetts for approximately \$100,000,000 in cash, of which our share was \$50,000,000. This investment is accounted for under the equity method. The venture plans to redevelop the property to include over 1,200,000 square feet, consisting of office, retail, condominium apartments and a hotel. The project is subject to governmental approvals.

1290 Avenue of the Americas and 555 California Street

On March 16, 2007, we entered into an agreement to acquire a 70% controlling interest in 1290 Avenue of the Americas, a 2,000,000 square foot Manhattan office building, located on the block-front between 51st and 52nd Street on Avenue of the Americas, and the 555 California Street office complex containing 1,800,000 square feet, known as the Bank of America Center, located at California and Montgomery Streets in San Francisco’s financial district. The purchase price for our 70% interest in the real estate is approximately \$1.807 billion, consisting of \$1.010 billion of cash and \$797,000,000 of existing debt. Our share of the debt is comprised of \$308,000,000 secured by 1290 Avenue of the Americas and \$489,000,000 secured by 555 California Street. The preliminary allocation of the purchase price is approximately \$775 per square foot for 1290 Avenue of the Americas and approximately \$575 per square foot for 555 California Street, based on current measurement of the building. Our 70% interest is being acquired through the purchase of all of the shares of a group of foreign companies that own, through U.S. entities, the 1% sole general partnership interest and a 69% limited partnership interest in the partnerships that own the two properties. The remaining 30% limited partnership interest is owned by Donald J. Trump. This acquisition is expected to close in the second quarter of 2007, subject to customary closing conditions.

In August 2005, Mr. Trump brought a lawsuit in the New York State Supreme Court against, among others, the general partners of the partnerships referred to above. Mr. Trump’s claims arose out of a dispute over the sale price of, and use of proceeds from, the sale of properties located on the former Penn Central rail yards between West 59th and 72nd Streets in Manhattan which were formerly owned by the partnerships. In decisions dated September 14, 2005 and July 24, 2006, the Court denied various of Mr. Trump’s motions and ultimately dismissed all of Mr. Trump’s claims, except for his claim seeking access to books and records, which remains pending. Mr. Trump has sought re-argument and renewal on, and filed a notice of appeal in connection with, his dismissed claims. We have agreed that at closing we will indemnify the sellers for liabilities and expenses arising out of Mr. Trump’s claim that the general partners of the partnerships we are acquiring did not sell the rail yards at a fair price or could have sold the rail yards for a greater price and any other claims asserted in the legal action; provided however, that if Mr. Trump prevails on certain claims involving partnership matters, other than claims relating to sale price, the sellers will be required to reimburse us for certain costs related to those claims.

H Street Building Corporation (“H Street”)

In July 2005, we acquired H Street, which owns a 50% interest in real estate assets located in Pentagon City, Virginia and Washington, DC. On April 30, 2007, we acquired the corporations that own the remaining 50% interest in these assets for approximately \$383,000,000, consisting of \$323,000,000 in cash and \$60,000,000 of existing mortgages. These assets include twin office buildings located in Washington, DC, containing 577,000 square feet, and assets located in Pentagon City, Virginia comprised of 34 acres of land leased to three residential and retail operators, a 1,670 unit high-rise apartment complex and 10 acres of vacant land. In conjunction with this acquisition all existing litigation has been dismissed. Further, we have agreed to sell approximately 19.6 of the 34 acres of land to the existing ground lessee in one or more closings over a two-year period for approximately \$220,000,000.

Our total purchase price for 100% of the assets we will own, after the anticipated proceeds from the land sale, is \$409,000,000, consisting of \$286,000,000 in cash and \$123,000,000 of existing mortgages.

Within the last two weeks we have received letters from the two remaining ground lessees claiming a right of first offer.

Beginning on April 30, 2007, we will consolidate the accounts of these entities into our consolidated financial statements and no longer account for them on the equity method.

Investment in McDonald’s Corporation (“McDonalds”) (NYSE: MCD)

In July 2005, we acquired an aggregate of 858,000 common shares of McDonalds for \$25,346,000, an average price of \$29.54 per share. These shares are recorded as marketable equity securities on our consolidated balance sheet and are classified as “available for sale.” Appreciation or depreciation in the fair market value of these shares is recorded as an increase or decrease in “accumulated other comprehensive income” in the shareholders’ equity section of our consolidated balance sheets and not recognized in income. At March 31, 2007, based on McDonalds’ closing stock price of \$45.05 per share, \$13,306,000 of appreciation in the value of these shares was included in “accumulated other comprehensive income.”

As of March 31, 2007 we own 13,696,000 McDonalds common shares (“option shares”) through a series of privately negotiated transactions with a financial institution pursuant to which we purchased a call option and simultaneously sold a put option at the same strike price on McDonalds’ common shares. The option shares have a weighted-average strike price of \$32.70 per share, or an aggregate of \$447,822,000, expire on various dates between July 30, 2007 and September 10, 2007 and provide for net cash settlement. Under these agreements, the strike price for each pair of options increases at an annual rate of LIBOR plus 45 basis points (up to 95 basis points under certain circumstances) and is credited for the dividends received on the shares. The options provide us with the same economic gain or loss as if we had purchased the underlying common shares and borrowed the aggregate purchase price at an annual rate of LIBOR plus 45 basis points. Because these options are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the options at the end of each reporting period are recognized as an increase or decrease in “interest and other investment income” on our consolidated statements of income.

For the three months ended March 31, 2007 and 2006, we recognized net gains of \$3,223,000, and \$2,546,000, respectively, representing the mark-to-market of the shares in the derivative to \$45.05 and \$34.36 per share, respectively, net of the expense resulting from the LIBOR charges.

Our aggregate net gain from inception of this investment in 2005 through March 31, 2007 is \$172,397,000.

Investment in The Lexington Master Limited Partnership (“Lexington MLP”) formerly The Newkirk Master Limited Partnership (“Newkirk MLP”)

On December 31, 2006, Newkirk Realty Trust (NYSE: NKT) was acquired in a merger by Lexington Corporate Properties Trust (“Lexington”) (NYSE: LXP), a real estate investment trust. We owned 10,186,991 limited partnership units (representing a 15.8% investment ownership interest) of Newkirk MLP, which was also acquired by Lexington as a subsidiary, and was renamed Lexington MLP. The units in Newkirk MLP, which we accounted for on the equity method, were converted on a 0.80 for 1 basis into limited partnership units of Lexington MLP, which we also account for on the equity method. The Lexington MLP units are exchangeable on a one-for-one basis into common shares of Lexington. We will record our pro rata share of Lexington MLP’s net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that Lexington files its financial statements. Accordingly, our “equity in net income or loss from partially owned entities” for the three months ended March 31, 2007 does not include our share of Lexington MLP’s net income or loss for its first quarter ended March 31, 2007.

Overview – continued

2007 Mezzanine Loan Activity:

Blackstone/Equity Office Properties Loan

On March 29, 2007, we acquired a 9.4% interest in a \$772,600,000 mezzanine loan for \$72,400,000 in cash. The loan bears interest at LIBOR plus 2.85% (8.17% at March 31, 2007) and matures in February 2009 with three one-year extensions. The loan is subordinate to \$24.6 billion of other debt and is collateralized by a direct equity interest in an entity which has indirect equity and cash flow pledges from various levels of ownership of a portfolio of office buildings purchased by Blackstone from Equity Office Properties.

Fortress Loan

On March 30, 2007, we were repaid \$35,348,000 of the \$99,500,000 outstanding balance of the loan, together with accrued interest of \$2,205,000 and a prepayment premium of \$177,000, which we recognized as “interest and other investment income” in the three months ended March 31, 2007.

2007 Financings:

On January 26, 2007, we completed a \$678,000,000 financing of our Skyline Complex in Fairfax Virginia, consisting of eight office buildings containing 2,560,000 square feet. This loan bears interest only at 5.74% and matures in February 2017. We retained net proceeds of approximately \$515,000,000 after repaying existing loans and closing costs, including \$5,771,000 for prepayment penalties and defeasance costs, which, is included in “interest and debt expense” in the quarter ended March 31, 2007.

On April 10, 2007 we called for the redemption of our \$500,000,000 5.625% senior unsecured notes at the face amount plus accrued interest. The notes, which were scheduled to mature on June 15, 2007, will be redeemed on May 11, 2007.

2.85% Convertible Senior Debentures due 2027

On March 21, 2007, Vornado Realty Trust sold \$1.4 billion aggregate principal amount of 2.85% convertible senior debentures due 2027, pursuant to an effective registration statement. The aggregate net proceeds from this offering, after underwriters’ discounts and expenses, were approximately \$1.37 billion. The debentures are redeemable at our option beginning in 2012 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require us to repurchase their debentures in 2012, 2017, and 2022 and in certain other limited circumstances. The debentures are convertible, under certain circumstances, for cash and Vornado common shares at an initial conversion rate of 6.1553 common shares per \$1,000 of principal amount of debentures. The initial conversion price is \$162.46, which represents a premium of 30% over the March 21, 2007 closing price of \$124.97 for our common shares. The principal amount of debentures will be settled for cash and the amount in excess of the principal defined as the conversion value will be settled in cash or, at our election, Vornado common shares.

We are amortizing the underwriters’ discount on a straight-line basis (which approximates the interest method) over the period from the date of issuance to the date of earliest redemption of April 1, 2012. Because the conversion option associated with the debentures when analyzed as a freestanding instrument meets the criteria to be classified as equity specified by paragraphs 12 to 32 of EITF 00-19 “*Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s own Common Stock,*” separate accounting for the conversion option under SFAS No. 133 “*Accounting for Derivative Instruments and Hedging Activities*” is not appropriate.

The net proceeds of the offering were contributed to the Operating Partnership in the form of an inter-company loan and the Operating Partnership guaranteed the payment of the debentures. The Operating Partnership will use the net proceeds primarily for acquisitions and investments and for general corporate purposes.

Overview - continued

The following table sets forth certain information for the properties we own 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			Merchandise Mart		Temperature
	New York	Washington, DC	Retail	Office	Showroom	Controlled Logistics
As of March 31, 2007:						
Square feet/ cubic feet	14,553	17,216	20,158	2,731	6,366	18,940/497,700
Number of properties	27	86	163	9	9	91
Occupancy rate	97.9%	92.0%	93.5%	96.5%	92.4%	71.0%
Leasing Activity:						
Quarter Ended March 31, 2007:						
Square feet	244	655	223	6	322	
Initial rent (1)	\$ 60.12	\$ 38.25	\$ 40.22	\$ 37.10	\$ 24.46	
Weighted average lease terms (years)	7.5	7.3	8.0	8.6	4.5	
Rent per square foot on relet space:						
Square feet	235	411	120	6	322	
Initial Rent (1)	\$ 60.74	\$ 34.29	\$ 53.56	\$ 37.10	\$ 24.46	
Prior escalated rent	\$ 45.57	\$ 33.80	\$ 27.54	\$ 31.99	\$ 24.68	
Percentage increase (decrease):						
Cash basis	33.3%	1.4%	94.5% ⁽²⁾	16.0%	(0.9%)	
GAAP basis	43.6%	0.6%	47.3% ⁽²⁾	22.0%	8.7%	
Rent per square foot on space previously vacant:						
Square feet	9	244	103	—	—	
Initial rent (1)	\$ 43.93	\$ 44.90	\$ 24.21	\$ —	\$ —	
Tenant improvements and leasing commissions:						
Per square foot	\$ 41.67	\$ 14.32	\$ 12.48	\$ 21.33	\$ 4.77	
Per square foot per annum	\$ 5.58	\$ 1.96	\$ 1.57	\$ 2.48	\$ 1.06	
As of December 31, 2006:						
Square feet/ cubic feet	13,692	17,201	19,264	2,714	6,370	18,941/497,800
Number of properties	25	86	158	9	9	91
Occupancy rate	97.5%	92.2%	92.7%	97.4%	93.6%	77.4%
As of March 31, 2006:						
Square feet/ cubic feet	13,021	16,951	17,470	2,703	6,361	17,212/436,800
Number of properties	21	86	119	9	9	84
Occupancy rate	96.1%	91.0%	94.5%	97.4%	93.0%	77.0%

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

(2) Of the 120 square feet relet during the quarter, 4 square feet represent Manhattan retail leases that were acquired in real estate acquisitions. Because generally accepted accounting principles require tenant leases to be marked to fair value when they are acquired, the cash basis increase is greater than the GAAP basis rent increase when the acquired space is relet.

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, 2007 and 2006.

(Amounts in thousands)

	For the Three Months Ended March 31, 2007								
	Total	Office			Retail	Merchandise Mart	Temperature Controlled Logistics	Toys	Other ⁽²⁾
		New York	Washington, DC						
Property rentals	\$ 400,887	\$ 137,648	\$ 103,179	\$ 77,721	\$ 64,108	\$ —	\$ —	\$ 18,231	
Straight-line rents:									
Contractual rent increases	14,586	10,414	479	2,897	654	—	—	142	
Amortization of free rent	5,889	398	4,849	272	370	—	—	—	
Amortization of acquired below-market leases, net	14,005	7,292	973	5,239	30	—	—	471	
Total rentals	435,367	155,752	109,480	86,129	65,162	—	—	18,844	
Temperature Controlled Logistics	200,093	—	—	—	—	200,093	—	—	
Tenant expense reimbursements	72,533	28,708	8,933	28,697	5,283	—	—	912	
Fee and other income:									
Tenant cleaning fees	9,843	12,086	—	—	—	—	—	(2,243)	
Management and leasing fees	7,199	855	6,561	344	22	—	—	(583)	
Lease termination fees	3,441	1,798	95	1,505	43	—	—	—	
Other	8,580	3,781	2,827	354	1,562	—	—	56	
Total revenues	737,056	202,980	127,896	117,029	72,072	200,093	—	16,986	
Operating expenses	370,966	88,252	38,759	40,517	33,068	157,528	—	12,842	
Depreciation and amortization	108,806	29,805	25,348	17,283	11,676	19,423	—	5,271	
General and administrative	53,063	3,946	8,087	7,002	7,810	12,572	—	13,646	
Costs of acquisition not consummated	8,807	—	—	—	—	—	—	8,807	
Total expenses	541,642	122,003	72,194	64,802	52,554	189,523	—	40,566	
Operating income (loss)	195,414	80,977	55,702	52,227	19,518	10,570	—	(23,580)	
Income applicable to Alexander's	13,519	188	—	209	—	—	—	13,122	
Income applicable to Toys "R" Us	58,661	—	—	—	—	—	58,661	—	
Income from partially owned entities	9,105	1,287	3,692	1,295	339	410	—	2,082	
Interest and other investment income	54,479	673	317	75	95	971	—	52,348	
Interest and debt expense	(147,013)	(29,468)	(34,315)	(20,008)	(12,847)	(16,522)	—	(33,853)	
Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate	909	—	—	—	—	—	—	909	
Minority interest of partially owned entities	3,883	—	—	47	—	3,533	—	303	
Income (loss) from continuing operations	188,957	53,657	25,396	33,845	7,105	(1,038)	58,661	11,331	
(Loss) income from discontinued operations, net	(31)	—	—	(34)	—	—	—	3	
Income (loss) before allocation to minority limited partners	188,926	53,657	25,396	33,811	7,105	(1,038)	58,661	11,334	
Minority limited partners' interest in the Operating Partnership	(17,177)	—	—	—	—	—	—	(17,177)	
Perpetual preferred unit distributions of the Operating Partnership	(4,818)	—	—	—	—	—	—	(4,818)	
Net income (loss)	166,931	53,657	25,396	33,811	7,105	(1,038)	58,661	(10,661)	
Interest and debt expense ⁽¹⁾	198,771	30,138	35,908	22,797	13,064	7,861	46,634	42,369	
Depreciation and amortization ⁽¹⁾	163,151	30,742	28,259	18,286	11,822	9,268	55,396	9,378	
Income tax expense ⁽¹⁾	55,584	—	1,615	—	330	53	53,397	189	
EBITDA	\$ 584,437	\$ 114,537	\$ 91,178	\$ 74,894	\$ 32,321	\$ 16,144	\$ 214,088	\$ 41,275	

Other segment EBITDA includes a \$9,380 net gain on mark-to-market of derivative instruments, \$8,807 for costs of acquisition not consummated, and a \$909 net gain on sale of marketable equity securities. The Washington, DC Office segment includes \$1,891 of expense for H Street litigation costs. Excluding these items, the percentages of EBITDA by segment are 19.7% for New York Office, 16.0% for Washington, DC Office, 12.9% for Retail, 5.6% for Merchandise Mart, 2.8% for Temperature Controlled Logistics, 36.8% for Toys and 6.2% for Other.

See notes on page 40.

(Amounts in thousands)

For the Three Months Ended March 31, 2006

	For the Three Months Ended March 31, 2006							
	Total	Office New York	Washington, DC	Retail	Merchandise Mart	Temperature Controlled Logistics	Toys	Other ⁽²⁾
Property rentals	\$ 350,734	\$ 119,702	\$ 99,863	\$ 60,984	\$ 53,960	\$ —	\$ —	\$ 16,225
Straight-line rents:								
Contractual rent increases	5,260	160	1,549	1,984	1,595	—	—	(28)
Amortization of free rent	7,310	1,867	3,534	1,358	551	—	—	—
Amortization of acquired below-market leases, net	4,799	(11)	1,184	2,209	115	—	—	1,302
Total rentals	368,103	121,718	106,130	66,535	56,221	—	—	17,499
Temperature Controlled Logistics	195,850	—	—	—	—	195,850	—	—
Tenant expense reimbursements	61,727	24,547	7,845	23,551	4,954	—	—	830
Fee and other income:								
Tenant cleaning fees	8,142	10,011	—	—	—	—	—	(1,869)
Management and leasing fees	2,648	230	2,045	360	13	—	—	—
Lease termination fees	4,482	3,771	61	371	279	—	—	—
Other	6,385	2,550	1,125	871	1,838	—	—	1
Total revenues	647,337	162,827	117,206	91,688	63,305	195,850	—	16,461
Operating expenses	331,915	74,087	35,011	28,476	28,405	154,332	—	11,604
Depreciation and amortization	90,305	22,761	25,112	10,407	11,095	17,069	—	3,861
General and administrative	45,864	3,873	8,150	4,923	6,021	10,260	—	12,637
Total expenses	468,084	100,721	68,273	43,806	45,521	181,661	—	28,102
Operating income (loss)	179,253	62,106	48,933	47,882	17,784	14,189	—	(11,641)
(Loss) income applicable to Alexander's	(3,595)	213	—	180	—	—	—	(3,988)
Income applicable to Toys "R" Us	52,760	—	—	—	—	—	52,760	—
Income from partially owned entities	6,051	644	666	42	334	395	—	3,970
Interest and other investment income	22,475	188	315	120	60	632	—	21,160
Interest and debt expense	(103,894)	(20,274)	(22,850)	(19,661)	(3,527)	(14,262)	—	(23,320)
Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate	548	—	—	—	—	—	—	548
Minority interest of partially owned entities	(274)	—	—	—	3	(468)	—	191
Income (loss) from continuing operations	153,324	42,877	27,064	28,563	14,654	486	52,760	(13,080)
Income (loss) from discontinued operations, net	16,735	—	(451)	9,340	5,739	2,107	—	—
Income (loss) before allocation to minority limited partners	170,059	42,877	26,613	37,903	20,393	2,593	52,760	(13,080)
Minority limited partners' interest in the Operating Partnership	(15,874)	—	—	—	—	—	—	(15,874)
Perpetual preferred unit distributions of the Operating Partnership	(4,973)	—	—	—	—	—	—	(4,973)
Net income (loss)	149,212	42,877	26,613	37,903	20,393	2,593	52,760	(33,927)
Interest and debt expense ⁽¹⁾	170,461	20,911	24,084	22,338	3,749	6,786	61,101	31,492
Depreciation and amortization ⁽¹⁾	125,431	23,364	26,661	13,246	11,236	8,148	34,164	8,612
Income tax expense ⁽¹⁾	25,738	—	233	—	41	408	24,966	90
EBITDA	\$ 470,842	\$ 87,152	\$ 77,591	\$ 73,487	\$ 35,419	\$ 17,935	\$ 172,991	\$ 6,267

EBITDA includes net gains on sale of real estate of \$16,160, of which \$9,218 is included in the Retail segment, \$4,835 is included in the Merchandise Mart segment and \$2,107 is included in the Temperature Controlled Logistics segment. In addition, EBITDA of the Washington, DC Office segment and the Other segment include \$1,468 and \$6,101 of expense, net, that affect comparability. Excluding these items, the percentages of EBITDA by segment are 18.9% for New York Office, 17.1% for Washington, DC Office, 13.9% for Retail, 6.4% for Merchandise Mart, 3.7% for Temperature Controlled Logistics, 37.4% for Toys and 2.6% for Other.

See notes on following page.

Notes:

- (1) EBITDA represents “Earnings Before Interest, Taxes, Depreciation and Amortization.” We consider EBITDA a supplemental measure for making decisions and assessing the un-levered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on a multiple of EBITDA, we utilize this measure to make investment decisions as well as to compare the performance of our assets to that of our peers. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.
- (2) Other EBITDA is comprised of:

(Amounts in thousands)	For the Three Months Ended March 31,	
	2007	2006
Alexander’s (see page 43)	\$ 20,333	\$ 3,536
Lexington MLP, formerly Newkirk MLP (see page 35)	—	8,270
Hotel Pennsylvania	3,604	2,687
GMH (see page 43)	4,168	—
Industrial warehouses	1,373	1,512
Other investments	3,911	2,614
	<u>33,389</u>	<u>18,619</u>
Minority limited partners’ interest in the Operating Partnership	(17,177)	(15,874)
Perpetual preferred unit distributions of the Operating Partnership	(4,818)	(4,973)
Corporate general and administrative expenses	(12,374)	(11,512)
Costs of acquisition not consummated	(8,807)	—
Investment income and other	51,062	20,007
	<u>\$ 41,275</u>	<u>\$ 6,267</u>

Results of Operations

Revenues

Our 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 \$737,056,000 for the quarter ended March 31, 2007, compared to \$647,337,000 in the prior year's first quarter, an increase of \$89,719,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

	Total	Office		Retail	Merchandise Mart	Temperature Controlled Logistics	Other
		New York	Washington, DC				
Property rentals:							
Increase (decrease) due to:							
Acquisitions:							
Manhattan Mall	\$ 11,707	\$ 7,959	\$ —	\$ 3,748	\$ —	\$ —	\$ —
350 Park Avenue	7,745	7,745	—	—	—	—	—
Former Toys "R" Us stores	4,448	—	—	4,448	—	—	—
1540 Broadway	1,742	193	—	1,549	—	—	—
Bruckner Plaza	1,787	—	—	1,787	—	—	—
Other	5,313	—	1,655	1,493	2,128	—	37
Development/Redevelopment:							
2101 L Street – taken out of service	(2,734)	—	(2,734)	—	—	—	—
Crystal Mall 2 – taken out of service	(1,942)	—	(1,942)	—	—	—	—
Bergen Town Center – partially taken out of service	(117)	—	—	(117)	—	—	—
Springfield Mall – partially taken out of service	1,165	—	—	1,165	—	—	—
Other	(109)	—	39	(148)	—	—	—
Amortization of acquired below market leases, net	9,206	7,303	(211)	3,030	(85)	—	(831)
Operations:							
Hotel Pennsylvania	1,460	—	—	—	—	—	1,460 ⁽¹⁾
Trade shows	6,211	—	—	—	6,211 ⁽²⁾	—	—
Leasing activity (see page 37)	21,382	10,834	6,543	2,639	687	—	679
Total increase in property rentals	67,264	34,034	3,350	19,594	8,941	—	1,345
Temperature Controlled Logistics:							
Increase due to acquisitions (ConAgra warehouses)	6,056	—	—	—	—	6,056	—
Decrease due to operations	(1,813)	—	—	—	—	(1,813) ⁽³⁾	—
Total increase	4,243	—	—	—	—	4,243	—
Tenant expense reimbursements:							
Increase due to:							
Acquisitions/development	4,951	2,287	170	2,494	—	—	—
Operations	5,855	1,874	918	2,652	329	—	82
Total increase in tenant expense reimbursements	10,806	4,161	1,088	5,146	329	—	82
Fee and other income:							
Increase (decrease) in:							
Lease cancellation fee income	(1,041)	(1,973)	34	1,134	(236)	—	—
Management and leasing fees	4,551	625	4,516 ⁽⁴⁾	(16)	9	—	(583)
BMS Cleaning fees	1,701	2,075	—	—	—	—	(374)
Other	2,195	1,231	1,702	(517)	(276)	—	55
Total increase (decrease) in fee and other income	7,406	1,958	6,252	601	(503)	—	(902)
Total increase in revenues	\$ 89,719	\$ 40,153	\$ 10,690	\$ 25,341	\$ 8,767	\$ 4,243	\$ 525

(1) Revenue per available room ("REVPAR") was \$89.14 for the three months ended March 31, 2007 compared to \$82.02 for the prior year's quarter.

(2) Primarily from the timing of the semi-annual High Point trade show which was held in March this year and in April last year.

(3) Primarily from (i) a \$2,709 decrease in owned warehouses operations, (ii) a \$286 decrease in quarry operations, (iii) a \$102 decrease in managed warehouse operations, partially offset by, (iv) a \$1,457 increase in transportation operations. See page 42 for a discussion of AmeriCold's gross margin.

(4) Primarily from leasing fees in connection with our management of a development project.

Expenses

Our expenses, which consist of operating, depreciation and amortization and general and administrative expenses, were \$541,642,000 for the quarter ended March 31, 2007, compared to \$468,084,000 in the prior year's quarter, an increase of \$73,558,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Operating:	Total	Office		Retail	Merchandise Mart	Temperature Controlled Logistics	Other
		New York	Washington, DC				
Increase (decrease) due to:							
Acquisitions:							
Manhattan Mall	\$ 4,929	\$ 2,924	\$ —	\$ 2,005	\$ —	\$ —	\$ —
350 Park Avenue	4,133	4,133	—	—	—	—	—
Former Toys stores	3,460	—	—	3,460	—	—	—
1540 Broadway	986	314	—	672	—	—	—
Bruckner Plaza	583	—	—	583	—	—	—
Other	8,207	—	972	323	1,378	5,500	34
Development/Redevelopment:							
Springfield Mall – partially taken out of service	1,110	—	—	1,110	—	—	—
2101 L Street – taken out of service	(1,099)	—	(1,099)	—	—	—	—
Crystal Mall 2 – taken out of service	(329)	—	(329)	—	—	—	—
Bergen Town Center – partially taken out of service	(132)	—	—	(132)	—	—	—
Other	(1,676)	—	4	24	—	(1,704)	—
Hotel activity	460	—	—	—	—	—	460
Trade shows activity	2,094	—	—	—	2,094 ⁽¹⁾	—	—
Operations	16,325	6,794 ⁽²⁾	4,200 ⁽³⁾	3,996	1,191	(600) ⁽⁴⁾	744
Total increase in operating expenses	39,051	14,165	3,748	12,041	4,663	3,196	1,238
Depreciation and amortization:							
Increase due to:							
Acquisitions/Development	13,387	6,368	20	5,513	—	1,471	15
Operations (due to additions to buildings and improvements)	5,114	676	216	1,363	581	883	1,395
Total increase in depreciation and amortization	18,501	7,044	236	6,876	581	2,354	1,410
General and administrative:							
Increase (decrease) due to:							
Acquisitions/Development and Other	3,587	419	(295)	1,759	—	1,704	—
Operations	3,612	(346)	232	320	1,789 ⁽⁵⁾	608	1,009 ⁽⁶⁾
Total increase (decrease) in general and administrative	7,199	73	(63)	2,079	1,789	2,312	1,009
Costs of acquisition not consummated	8,807	—	—	—	—	—	8,807
Total increase in expenses	\$ 73,558	\$ 21,282	\$ 3,921	\$ 20,996	\$ 7,033	\$ 7,862	\$ 12,464

(1) Primarily from the timing of the semi-annual High Point trade show which was held in March this year and in April last year and higher gift show promotional expenses.

(2) Primarily due to a \$1,612 increase in BMS operating expenses as a direct result of an increase in BMS revenues, a \$1,444 increase in utilities and a \$1,124 increase in real estate taxes.

(3) Primarily due to a \$1,711 increase in utilities and a \$1,230 increase in real estate taxes.

(4) AmeriCold's gross margin from owned warehouses was \$39,098 or 30.8%, for the quarter ended March 31, 2007, compared to \$39,183 or 33.4% for the quarter ended March 31, 2006, a decrease of \$85. Gross margin from transportation management services, managed warehouses and other non-warehouse activities was \$3,877 for the quarter ended March 31, 2007, compared to \$4,437 for the quarter ended March 31, 2006, a decrease of \$560, primarily due to the acquisition of three ConAgra managed warehouses during December 2006 and January 2007.

(5) Primarily from an \$825 increase in payroll, benefits and stock-based compensation amortization, \$322 for severance payments and a \$267 increase in income taxes resulting from the operations of a new trade show.

(6) Primarily from a \$3,156 increase in amortization of stock-based compensation, including \$2,309 from the 2006 Out-Performance Plan which was approved in April 2006, partially offset by lower professional fees.

Income (Loss) Applicable to Alexander's

Our 32.8% share of Alexander's net income (comprised of equity in net income or loss, management, leasing, development and commitment fees) was \$13,519,000 for the three months ended March 31, 2007, compared to our share of net loss of \$3,595,000 for the prior year's first quarter, an increase of \$17,114,000. This increase was primarily due to \$4,694,000 of income in the current quarter for the reversal of accrued stock appreciation rights compensation expense as compared to \$12,395,000 for our share of expense in the prior year's quarter, partially offset by \$1,858,000 for our share of Alexander's net gain on sale of 731 Lexington Avenue condominiums in the prior year's quarter.

Income Applicable to Toys

Our 32.9% share of Toys' net income (comprised of equity in net income, interest income on loans receivable, and management fees) was \$58,661,000 for the three months ended March 31, 2007, compared to \$52,760,000 for the prior year's quarter, an increase of \$5,901,000.

Income from Partially Owned Entities

Summarized below are the components of income from partially owned entities for the three months ended March 31, 2007 and 2006.

Equity in Net Income (Loss): (Amounts in thousands)	For The Three Months Ended March 31,	
	2007	2006
H Street non-consolidated subsidiaries:		
50% share of equity in income (1)	\$ 2,834	\$ (233)
Beverly Connection:		
50% share of equity in net loss	(1,327)	(3,967)
Interest and fee income	2,277	2,932
	950	(1,035) ⁽²⁾
GMH Communities L.P:		
13.5% in 2007 and 11.3% in 2006 share of equity in net loss (3)	(312)	—
Lexington MLP (see page 35):		
7.4% in 2007 and 15.8% in 2006 share of equity in net income (4)	—	4,158
Interest and other income	—	45
	—	4,203
Other (5)	5,633	3,116
	\$ 9,105	\$ 6,051

- (1) Our share of H Street's non-consolidated subsidiaries' equity in net income was not included in the three months ended March 31, 2006, because prior to the quarter ended June 30, 2006, the two entities contesting our acquisition of H Street impeded our access to this financial information.
- (2) Includes our \$2,062 share of accelerated depreciation expense upon the write-off of one of the ventures assets.
- (3) We record our pro rata share of GMH's net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that GCT files its financial statements. Our "equity in net income or loss from partially owned entities" for the three months ended March 31, 2006 did not include any income or loss related to GMH's fourth quarter of 2005 because GMH had delayed the filing of its annual report on Form 10-K for the year ended December 31, 2005 until May 15, 2006.
- (4) We will record our pro rata share of Lexington MLP's net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that Lexington files its financial statements. Accordingly, our "equity in net income or loss from partially owned entities" for the three months ended March 31, 2007 does not include our share of Lexington MLP's net income or loss for its first quarter ended March 31, 2007.
- (5) Includes our equity in net earnings of partially owned entities including, partially owned office buildings in New York and Washington, DC, the Monmouth Mall, Dune Capital LP, Verde Group LLC, and others.

Interest and Other Investment Income (expense)

Interest and other investment income (mark-to-market of derivative positions, interest income on mortgage loans receivable, other interest income and dividend income) was \$54,479,000 for the three months ended March 31, 2007, compared to expense of \$22,475,000 in the prior year's quarter, an increase of \$32,004,000. This increase resulted primarily from:

(Amounts in thousands)

GMH warrants derivative position – net loss of \$20,475 in the prior year's quarter (investment converted to common shares of GCT in the second quarter of 2006)	\$ 20,475
Increase in interest income on higher average cash balance (\$1,684,244 in this quarter compared to \$290,563 in the prior year's quarter)	18,578
Sears Holdings derivative position – net gain of \$18,611 in the prior year's quarter (investment sold in the first quarter of 2006)	(18,611)
Other derivatives – net gain of \$6,157 this quarter	6,157
McDonalds derivative position – net gain of \$3,223 this quarter compared to a net gain of \$6,300 in the prior year's quarter	(3,077)
Other, net – primarily due to interest earned on higher average loans receivable and from prepayment premiums received upon loan repayments	8,482
	<u>\$ 32,004</u>

Interest and Debt Expense

Interest and debt expense was \$147,013,000 for the three months ended March 31, 2007, compared to \$103,894,000 in the prior year's quarter, an increase of \$43,119,000. This increase was primarily due to (i) \$30,900,000 from a \$2.5 billion increase in outstanding debt due to property acquisitions and refinancings, (ii) \$10,700,000 from the November 20, 2006 issuance of \$1 billion convertible senior debentures due 2026 and the March 21, 2007 issuance of \$1.4 billion convertible senior debentures due 2027, (iii) \$5,771,000 for the cost of the Skyline mortgage loan defeasance, partially offset by (iv) a \$6,700,000 increase in the amount of capitalized interest.

Net Gain on Disposition of Wholly Owned and Partially Owned Assets Other than Depreciable Real Estate

Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate was \$909,000 and \$548,000 for the three months ended March 31, 2007, and 2006, respectively, and represent net gains on sale of marketable securities in each period.

Minority Interest of Partially Owned Entities

Minority interest of partially owned entities represents the minority partners' pro rata share of the net income or loss of consolidated partially owned entities, including AmeriCold, 220 Central Park South, Wasserman and the Springfield Mall. In the three months ended March 31, 2007 we recorded \$3,883,000 of income as compared to \$274,000 of expense in the prior year's quarter. The increase of \$4,157,000 over the prior year's quarter relates primarily to a reduction in AmeriCold's minority interest expense as a result of lower net income.

Income From Discontinued Operations

The combined results of operations of the assets related to discontinued operations for the three months ended March 31, 2007 and 2006 include the operating results of Vineland, New Jersey; 33 North Dearborn Street in Chicago, Illinois, which was sold on March 14, 2006; 424 Sixth Avenue in New York City, which was sold on March 13, 2006 and 1919 South Eads Street in Arlington, Virginia, which was sold on June 22, 2006.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2007	2006
Revenues	\$ 23	\$ 2,128
Expenses	54	1,553
Net (loss) income	(31)	575
Net gains on sale of real estate	—	16,160
(Loss) income from discontinued operations	<u>\$ (31)</u>	<u>\$ 16,735</u>

Minority Limited Partners' Interest in the Operating Partnership

Minority limited partners' interest in the Operating Partnership was \$17,177,000 for the three months ended March 31, 2007, compared to \$15,874,000 for the prior year's first quarter, an increase of \$1,303,000. This increase results primarily from higher net income subject to allocation to the minority limited partners.

Perpetual Preferred Unit Distributions of the Operating Partnership

Perpetual preferred unit distributions of the Operating Partnership were \$4,818,000 for the three months ended March 31, 2007, compared to \$4,973,000 for the prior year's quarter, a decrease of \$155,000. This decrease resulted primarily from the redemption of the D-9 perpetual preferred units in September 2006, partially offset by the issuance of the D-15 units in May and August 2006.

Preferred Share Dividends

Preferred share dividends were \$14,296,000 for the three months ended March 31, 2007, compared to \$14,407,000 for the prior year's first quarter, a decrease of \$111,000. This decrease resulted primarily from the conversion of Series A preferred shares to common shares during the 2006 and 2007.

EBITDA by Segment

Below are the details of the changes in EBITDA by segment for the three months ended March 31, 2007 from the three months ended March 31, 2006.

(Amounts in thousands)	Total	Office			Merchandise Mart	Temperature Controlled Logistics	Toys	Other
		New York	Washington, DC	Retail				
Three Months ended March 31, 2006	\$ <u>470,842</u>	\$ 87,152	\$ 77,591	\$ 73,487	\$ 35,419	\$ 17,935	\$ <u>172,991</u>	\$ <u>6,267</u>
2007 Operations:								
Same store operations ⁽¹⁾		8,229	4,862	941 ⁽²⁾	(1,269) ⁽³⁾	(104)		
Acquisitions, dispositions and non-same store income and expenses		<u>19,156</u>	<u>8,725</u>	<u>466</u>	<u>(1,829)</u>	<u>(1,687)</u>		
Three Months ended March 31, 2007	\$ <u>584,437</u>	\$ <u>114,537</u>	\$ <u>91,178</u>	\$ <u>74,894</u>	\$ <u>32,321</u>	\$ <u>16,144</u>	\$ <u>214,088</u>	\$ <u>41,275</u>
% increase (decrease) in same store operations		<u>9.3%</u>	<u>6.0%</u>	<u>1.6%</u>	<u>(3.5%)</u>	<u>(0.5%)</u>		

(1) Represents the increase (decrease) in property-level operations which were owned for the same period in each year and excludes the effect of property acquisitions, dispositions and other non-operating items that affect comparability, including divisional general and administrative expenses. We utilize this measure to make decisions on whether to buy or sell properties as well as to compare the performance of our properties to that of our peers. Same store operations may not be comparable to similarly titled measures employed by other companies.

(2) The same store increase would be 5.1% exclusive of the effect of tenants vacating 44,425 square feet of New York City retail space in December 2006.

(3) Primarily from higher promotional expenses and lower booth sales for the Chicago and Los Angeles Gift shows.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows for the Three Months Ended March 31, 2007

Our cash and cash equivalents was \$2,884,674,000 at March 31, 2007, a \$651,357,000 increase over the balance at December 31, 2006. This increase resulted from \$81,263,000 of net cash provided by operating activities, \$1,875,790,000 of net cash provided by financing activities, partially offset by \$1,305,696,000 of net cash used in investing activities. Property rental income represents our primary source of net cash provided by operating activities. Our property rental income is primarily dependent upon the occupancy and rental rates of our properties. Other sources of liquidity to fund our cash requirements include proceeds from debt financings, including mortgage loans and corporate level unsecured borrowings; our \$1 billion revolving credit facility; proceeds from the issuance of common and preferred equity; and asset sales. Our cash requirements include property operating expenses, capital improvements, tenant improvements, leasing commissions, distributions to our common and preferred shareholders, as well as acquisition and development costs.

Our consolidated outstanding debt was \$11,633,128,000 at March 31, 2007, a \$2,078,330,000 increase over the balance at December 31, 2006. This increase resulted primarily from the issuance of \$1.4 billion of convertible senior debentures due 2026 and from debt associated with asset acquisitions and property refinancings during the current quarter. As of March 31, 2007 and December 31, 2006, our revolving credit facility had a zero outstanding balance. During 2007 and 2008, \$678,848,000 and \$396,178,000 of our outstanding debt matures, respectively. We may refinance such debt or choose to repay all or a portion, using existing cash balances or our revolving credit facility.

Our share of debt of unconsolidated subsidiaries was \$2,997,428,000 at March 31, 2007, a \$325,579,000 decrease from the balance at December 31, 2006. This decrease resulted primarily from our \$368,800,000 share of an decrease in Toys "R" Us outstanding debt.

Cash flows provided by operating activities of \$81,263,000 was primarily comprised of (i) net income of \$166,931,000, after adjustments of \$12,284,000 for non-cash items, including depreciation and amortization expense, the effect of straight-lining of rental income, equity in net income of partially owned entities, minority interest expense, (ii) distributions of income from partially-owned entities of \$6,902,000, partially offset by, (iii) the net change in operating assets and liabilities of \$119,056,000.

Net cash used in investing activities of \$1,305,696,000 was primarily comprised of (i) acquisitions of real estate of \$878,654,000, (ii) investments in notes and mortgage loans receivable of \$135,615,000, (iii) deposits in connection with real estate acquisitions, including pre-acquisition costs, of \$125,359,000, (iv) investments in partially-owned entities of \$91,037,000, (v) development and redevelopment expenditures of \$49,438,000, (vi) investments in marketable securities of \$43,685,000, partially offset by, (ix) proceeds received from repayments on mortgage loans receivable of \$40,150,000.

Net cash provided by financing activities of \$1,875,790,000 was primarily comprised of (i) proceeds from borrowings of \$2,286,725,000, of which \$1,372,078,000 were proceeds received from the offering of the 2.85% convertible senior debentures due 2027, partially offset by, (ii) repayments of borrowings of \$156,759,000, (iii) dividends paid on common shares of \$128,812,000, (iv) purchases of marketable securities in connection with the legal defeasance of mortgage notes payable of \$86,653,000, (v) distributions to minority partners of \$19,429,000, and (vi) dividends paid on preferred shares of \$14,349,000.

Capital Expenditures

Our capital expenditures consist of expenditures to maintain assets, tenant improvements and leasing commissions. Recurring capital improvements include expenditures to maintain a property's competitive position within the market and tenant improvements and leasing commissions necessary to re-lease expiring leases or renew or extend existing leases. Non-recurring capital improvements include expenditures completed in the year of acquisition and the following two years that were planned at the time of acquisition as well as tenant improvements and leasing commissions for space that was vacant at the time of acquisition of a property. Our 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, 2007.

(Amounts in thousands)	Total	Office		Retail	Merchandise Mart	Temperature Controlled Logistics	Other
		New York	Washington, DC				
Capital Expenditures							
(Accrual basis):							
Expenditures to maintain the assets:							
Recurring	\$ 11,007	\$ 2,234	\$ 2,788	\$ 326	\$ 2,211	\$ 3,448	\$ —
Non-recurring	—	—	—	—	—	—	—
Total	11,007	2,234	2,788	326	2,211	3,448	—
Tenant improvements:							
Recurring	17,029	6,853	7,871	680	1,625	—	—
Non-recurring	—	—	—	—	—	—	—
Total	17,029	6,853	7,871	680	1,625	—	—
Leasing Commissions:							
Recurring	7,745	3,347	2,249	2,104	45	—	—
Non-recurring	—	—	—	—	—	—	—
Total	7,745	3,347	2,249	2,104	45	—	—
Tenant improvements and leasing commissions:							
Per square foot	\$ 16.55	\$ 41.67	\$ 14.32	\$ 12.48	\$ 5.07	\$ —	\$ —
Per square foot per annum	\$ 2.31	\$ 5.58	\$ 1.96	\$ 1.57	\$ 1.09	\$ —	\$ —
Total Capital Expenditures and Leasing Commissions (accrual basis)	\$ 35,781	\$ 12,434	\$ 12,908	\$ 3,110	\$ 3,881	\$ 3,448	\$ —
Adjustments to reconcile accrual basis to cash basis:							
Expenditures in the current year applicable to prior periods	17,721	3,504	9,304	419	4,494	—	—
Expenditures to be made in future periods for the current period	(20,513)	(9,867)	(7,018)	(2,784)	(844)	—	—
Total Capital Expenditures and Leasing Commissions (Cash basis)	\$ 32,989	\$ 6,071	\$ 15,194	\$ 745	\$ 7,531	\$ 3,448	\$ —
Development and Redevelopment Expenditures (1):							
Crystal Mall Two	\$ 9,235	\$ —	\$ 9,235	\$ —	\$ —	\$ —	\$ —
Bergen Town Center	7,119	—	—	7,119	—	—	—
2101 L Street	6,353	—	6,353	—	—	—	—
North Bergen, New Jersey (Ground-up development)	5,324	—	—	5,324	—	—	—
Green Acres Mall	4,689	—	—	4,689	—	—	—
Wasserman venture	3,559	—	—	—	—	—	3,559
220 Central Park South	2,189	—	—	—	—	—	2,189
40 East 66 th Street	1,178	—	—	—	—	—	1,178
Other	9,792	1,995	2,533	2,693	—	—	2,571
	\$ 49,438	\$ 1,995	\$ 18,121	\$ 19,825	\$ —	\$ —	\$ 9,497

(1) Excludes development expenditures of partially owned, non-consolidated investments.

Cash Flows for the Three Months Ended March 31, 2006

Cash flows provided by operating activities of \$190,469,000 was primarily comprised of (i) net income of \$149,212,000, (ii) adjustments for non-cash items of \$22,053,000, (iii) distributions of income from partially-owned entities of \$8,286,000, and (iii) the net change in operating assets and liabilities of \$10,918,000. The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of \$94,181,000, (ii) allocation of income to minority limited partners of the Operating Partnership of \$15,874,000, (iii) perpetual preferred unit distributions of the Operating Partnership of \$4,973,000, partially offset by, (iv) net gains from derivative positions of \$3,953,000, (v) equity in net income of partially-owned entities (including Toys and Alexander's) of \$55,216,000, (vi) net gains on sale of real estate of \$16,160,000, (vii) amortization of acquired below market leases net of above market leases of \$4,808,000 (viii) the effect of straight-lining of rental income of \$12,564,000 and (ix) net gains on disposition of wholly-owned and partially-owned assets other than depreciable real estate of \$548,000.

Net cash used in investing activities of \$165,068,000 was primarily comprised of (i) investments in notes and mortgage loans receivable of \$57,535,000, (ii) capital expenditures of \$41,574,000, (iii) development and redevelopment expenditures of \$58,033,000, (iv) investments in partially-owned entities of \$22,879,000, (v) acquisitions of real estate of \$148,330,000, (vi) investments in marketable securities of \$46,475,000, partially offset by, (vii) proceeds received on the settlement of derivatives (primarily Sears Holdings) of \$135,028,000, (viii) proceeds from the sale of real estate of \$71,887,000, (ix) restricted cash of \$11,050,000, (x) distributions of capital from partially-owned entities of \$2,542,000, (xi) proceeds from the sale of marketable securities of \$5,392,000, and (xii) repayments on notes and mortgages receivable of \$5,632,000.

Net cash provided by financing activities of \$260,025,000 was primarily comprised of (i) proceeds from borrowings of \$605,298,000, (ii) proceeds of \$3,309,000 from the exercise by employees of share options, partially offset by, (iii) dividends paid on common shares of \$113,024,000, (iv) repayments of borrowings of \$195,845,000, (v) dividends paid on preferred shares of \$14,446,000, (vi) distributions to minority partners of \$17,725,000 and (vii) debt issuance costs of \$7,542,000.

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, 2006.

(Amounts in thousands)	Office						Temperature Controlled Logistics	Other
	Total	New York	Washington, DC	Retail	Merchandise Mart			
Capital Expenditures								
(Accrual basis):								
Expenditures to maintain the assets:								
Recurring	\$ 12,059	\$ 2,290	\$ 2,187	\$ 335	\$ 2,764	\$ 1,870	\$ 2,613	
Non-recurring	—	—	—	—	—	—	—	
Total	12,059	2,290	2,187	335	2,764	1,870	2,613	
Tenant improvements:								
Recurring	18,847	9,241	5,375	1,278	2,953	—	—	
Non-recurring	89	—	89	—	—	—	—	
Total	18,936	9,241	5,464	1,278	2,953	—	—	
Leasing Commissions:								
Recurring	5,708	3,432	1,227	764	285	—	—	
Non-recurring	32	—	32	—	—	—	—	
Total	5,740	3,432	1,259	764	285	—	—	
Tenant improvements and leasing commissions:								
Per square foot	\$ 16.94	\$ 27.83	\$ 13.32	\$ 11.94	\$ 9.89	\$ —	\$ —	
Per square foot per annum	\$ 2.35	\$ 3.45	\$ 2.14	\$ 1.64	\$ 1.52	\$ —	\$ —	
Total Capital Expenditures and Leasing Commissions (accrual basis)								
	\$ 36,735	\$ 14,963	\$ 8,910	\$ 2,377	\$ 6,002	\$ 1,870	\$ 2,613	
Adjustments to reconcile accrual basis to cash basis:								
Expenditures in the current year applicable to prior periods	21,117	6,595	10,522	203	3,797	—	—	
Expenditures to be made in future periods for the current period	(22,196)	(12,942)	(6,137)	(1,867)	(1,250)	—	—	
Total Capital Expenditures and Leasing Commissions (Cash basis)	\$ 35,656	\$ 8,616	\$ 13,295	\$ 713	\$ 8,549	\$ 1,870	\$ 2,613	
Development and Redevelopment Expenditures (1):								
North Bergen, New Jersey (Ground-up development)	\$ 25,039	\$ —	\$ —	\$ 25,039	\$ —	\$ —	\$ —	
Bergen Town Center	5,443	—	—	5,443	—	—	—	
7 W. 34 th Street	4,148	—	—	—	4,148	—	—	
Crystal Plazas (PTO)	4,049	—	4,049	—	—	—	—	
1740 Broadway	1,817	1,817	—	—	—	—	—	
Green Acres Mall	1,697	—	—	1,697	—	—	—	
640 Fifth Avenue	867	867	—	—	—	—	—	
Other	14,973	311	1,875	4,452	—	—	8,335	
	\$ 58,033	\$ 2,995	\$ 5,924	\$ 36,631	\$ 4,148	\$ —	\$ 8,335	

(1) Reflects reimbursements from tenants for expenditures incurred in the prior year.

SUPPLEMENTAL INFORMATION
Three Months Ended March 31, 2007 vs. Three Months Ended December 31, 2006

Below are the details of the changes in EBITDA by segment for the three months ended March 31, 2007 from the three months ended December 31, 2006.

(Amounts in thousands)	Total	Office		Retail	Merchandise Mart	Temperature Controlled Logistics	Toys	Other
		New York	Washington, DC					
For the three months ended December 31, 2006	\$ 435,109	\$ 104,537	\$ 86,674	\$ 72,022	\$ 36,098	\$ 15,348	\$ 20,988	\$ 99,442
2007 Operations:								
Same store operations ⁽¹⁾		(96)	38	(1,757) ⁽³⁾	(1,881) ⁽⁴⁾	(116)		
Acquisitions, dispositions and non-same store income and expenses		10,096	4,466	4,629	(1,896)	912		
For the three months ended March 31, 2007	\$ 584,437	\$ 114,537	\$ 91,178	\$ 74,894	\$ 32,321	\$ 16,144	\$ 214,088	\$ 41,275
% increase (decrease) in same store operations		(0.1%) ⁽²⁾	—% ⁽²⁾	(2.6%)	(4.5%)	(0.6%) ⁽⁴⁾		

(1) Represents the increase (decrease) in property-level operations which were owned for the same period in each year and excludes the effect of property acquisitions, dispositions and other non-operating items that affect comparability, including divisional general and administrative expenses. We utilize this measure to make decisions on whether to buy or sell properties as well as to compare the performance of our properties to that of our peers. Same store operations may not be comparable to similarly titled measures employed by other companies.

(2) Reflects a seasonal increase in heating costs in the first quarter of \$2,335 for New York Office and \$1,589 for Washington, DC Office. The same store increases exclusive of this seasonal increase in heating costs was 2.3% for New York Office and 1.7% for Washington, DC Office.

(3) The same store decrease would be (0.1%) exclusive of the effect of tenants vacating 44,425 square feet of New York City retail in December 2006.

(4) Results primarily from seasonality of operations.

The following table reconciles Net income to EBITDA for the quarter ended December 31, 2006.

(Amounts in thousands)	Total	Office		Retail	Merchandise Mart	Temperature Controlled Logistics	Toys	Other
		New York	Washington, DC					
Net income (loss) for the three months ended December 31, 2006	\$ 119,776	\$ 51,093	\$ 28,774	\$ 37,519	\$ 16,239	\$ (10,899)	\$ (51,697)	\$ 48,747
Interest and debt expense	181,393	22,861	25,304	20,038	8,865	16,716	47,462	40,147
Depreciation and amortization	142,501	30,583	30,694	14,465	11,769	9,253	35,539	10,198
Income tax (benefit) expense	(8,561)	—	1,902	—	(775)	278	(10,316)	350
EBITDA for the three months ended December 31, 2006	\$ 435,109	\$ 104,537	\$ 86,674	\$ 72,022	\$ 36,098	\$ 15,348	\$ 20,988	\$ 99,442

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 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 our Consolidated Statements of Cash Flows. FFO should not be considered as an alternative to net income as an indicator of our operating performance or as an alternative to cash flows as a measure of liquidity.

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. We believe 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.

The calculations of both the numerator and denominator used in the computation of income per share are disclosed in footnote 12 - Income Per Share, in the notes to our consolidated financial statements on page 22 of this Quarterly Report on Form 10-Q.

FFO for the Three Months Ended March 31, 2007, and 2006

FFO applicable to common shares plus assumed conversions was \$270,165,000, or \$1.65 per diluted share for the three months ended March 31, 2007, compared to \$211,916,000, or \$1.37 per diluted share for the prior year’s quarter. Details of certain items that affect comparability are discussed in the financial results summary of our “Overview.”

(Amounts in thousands except per share amounts)	For The Three Months Ended March 31,	
	2007	2006
Reconciliation of Net Income to FFO:		
Net income	\$ 166,931	\$ 149,212
Depreciation and amortization of real property	93,665	76,443
Net gains on sale of real estate	—	(16,160)
Proportionate share of adjustments to equity in net income of partially owned entities to arrive at FFO:		
Depreciation and amortization of real property	42,984	25,009
Net gains on sale of real estate	—	(329)
Income tax effect of Toys adjustments included above	(11,883)	(5,913)
Minority limited partners’ share of above adjustments	(12,618)	(7,224)
FFO	279,079	221,038
Preferred share dividends	(14,296)	(14,407)
FFO applicable to common shares	264,783	206,631
Interest on 3.875% exchangeable senior debentures	5,309	5,094
Series A convertible preferred dividends	73	191
FFO applicable to common shares plus assumed conversions	<u>\$ 270,165</u>	<u>\$ 211,916</u>
Reconciliation of Weighted Average Shares:		
Weighted average common shares outstanding	151,428	141,150
Effect of dilutive securities:		
Employee stock options and restricted share awards	6,888	7,488
3.875% exchangeable senior debentures	5,560	5,531
Series A convertible preferred shares	125	326
Denominator for diluted FFO per share	<u>164,001</u>	<u>154,495</u>
FFO applicable to common shares plus assumed conversions per diluted share	<u>\$ 1.65</u>	<u>\$ 1.37</u>

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

(Amounts in thousands, except per share amounts)

	As at March 31, 2007			2006	
	Balance	Weighted Average Interest Rate	Effect of 1% Change In Base Rates	December 31, Balance	Weighted Average Interest Rate
Consolidated debt:					
Variable rate ⁽¹⁾	\$ 944,847	6.32%	\$ 9,449	\$ 728,363	6.48%
Fixed rate	10,688,281	5.19%	—	8,826,435	5.56%
	<u>\$ 11,633,128</u>	5.29%	<u>9,449</u>	<u>\$ 9,554,798</u>	5.63%
Pro-rata share of debt of non-consolidated entities (non-recourse):					
Variable rate – excluding Toys	\$ 175,011	7.16%	1,750	\$ 162,254	7.31%
Variable rate – Toys	892,263	7.65%	8,922	1,213,479	7.03%
Fixed rate (including \$1,010,487, and \$1,057,422 of Toys debt in 2007 and 2006)	1,930,154	6.86%	—	1,947,274	6.95%
	<u>\$ 2,997,428</u>	7.11%	<u>10,672</u>	<u>\$ 3,323,007</u>	7.00%
Minority limited partners' share of above			(2,013)		
Total change in annual net income			\$ 18,108		
Per share-diluted			\$ 0.11		

(1) Includes \$497,977 for our senior unsecured notes due 2007, as we entered into an interest rate swap that effectively converted the interest rate from a fixed rate of 5.625% to a floating rate of LIBOR plus 0.7725%, based upon the trailing three-month LIBOR rate (6.12% if set on March 31, 2007). In accordance with SFAS No. 133, as amended, we are required to record the fair value of this derivative instrument at each reporting period. At March 31, 2007, the fair value adjustment was a reduction of \$577, and is included in the balance of the senior unsecured notes above.

We may utilize various financial instruments to mitigate the impact of interest rate fluctuations on our cash flows and earnings, including hedging strategies, depending on our analysis of the interest rate environment and the costs and risks of such strategies. In addition, we have notes and mortgage loans receivables aggregating \$306,042,000, as of March 31, 2007, which are based on variable rates and partially mitigate our exposure to a change in interest rates.

Fair Value of Our Debt

The carrying amount of our debt exceeds its aggregate fair value, 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, by approximately \$197,237,000 at March 31, 2007.

Derivative Instruments

We have, and may in the future enter into, derivative positions that do not qualify for hedge accounting treatment, including our economic interest in McDonald's common shares. Because these derivatives do not qualify for hedge accounting treatment, the gains or losses resulting from their mark-to-market at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income" on our consolidated statements of income. In addition, we are, and may in the future be, subject to additional expense based on the notional amount of the derivative positions and a specified spread over LIBOR. Because the market value of these instruments can vary significantly between periods, we may experience significant fluctuations in the amount of our investment income or expense. During the three months ended March 31, 2007, we recognized net gains aggregating approximately \$9,380,000 from these positions, after all expenses and LIBOR charges.

Item 4. Controls and Procedures

Disclosure Controls and Procedures: The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2007, such disclosure controls and procedures were effective.

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

Item 1. Legal Proceedings

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

The following updates the discussion set forth under “Item 3. Legal Proceedings” in our Annual Report on Form 10-K for the year ended December 31, 2006.

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 we had no right to reallocate and therefore continue to collect \$5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty. 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 our right to re-allocate which effectively terminated our right to collect the additional rent from Stop & Shop. On March 3, 2003, after we 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. We removed the action to the United States District Court for the Southern District of New York. In January 2005 that court remanded the action to the New York Supreme Court. On February 14, 2005, we served an answer in which we 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. On May 17, 2005, we filed a motion for summary judgment. On July 15, 2005, Stop & Shop opposed our motion and filed a cross-motion for summary judgment. On December 13, 2005, the Court issued its decision denying the motions for summary judgment. Both parties appealed the Court’s decision and on December 14, 2006, the Appellate Court division issued a decision affirming the Court’s decision. On January 16, 2007 we filed a motion for the reconsideration of one aspect of the Appellate Court’s decision which was denied on March 13, 2007. On April 16, 2007, the Court directed that discovery should be completed by December 2007, with a trial date to be determined thereafter. We intend to vigorously pursue our claims against Stop & Shop.

H Street Building Corporation (“H Street”)

On July 22, 2005, two corporations owned 50% by H Street filed a complaint against the Company, H Street and three parties affiliated with the sellers of H Street in the Superior Court of the District of Columbia alleging that we encouraged H Street and the affiliated parties to breach their fiduciary duties to these corporations and interfered with prospective business and contractual relationships. The complaint seeks an unspecified amount of damages and a rescission of our acquisition of H Street. On September 12, 2005, we filed a complaint against each of those corporations and their acting directors seeking a restoration of H Street’s full shareholder rights and damages. In addition, on July 29, 2005, a tenant under ground leases for which one of these 50%-owned corporations is landlord brought a separate suit in the Superior Court of the District of Columbia, alleging, among other things, that the acquisition of H Street violated a provision giving them a right of first offer and seeks rescission of our acquisition, the right to acquire H Street for the price paid by us and/or damages. On July 14, 2006, we filed a counterclaim against the tenant asserting that the tenant and the other owner of the 50%-owned ground landlord deliberately excluded H Street from negotiating and executing a purported amendment to the agreement to lease when H Street’s consent and execution was required and, consequently, that the amended agreement and the related ground leases are invalid, the tenant is in default under the ground leases and the ground leases are void and without any effect. All of these legal actions were dismissed in connection with our acquisition of these corporations on April 30, 2007.

Item 1A. Risk Factors

There were no material changes to the Risk Factors disclosed in our annual report on Form 10-K for the year ended December 31, 2006.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

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

SIGNATURES

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

VORNADO REALTY TRUST

(Registrant)

Date: May 1, 2007

By: /s/ Joseph Macnow

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

EXHIBIT INDEX

Exhibit No.

- | | | | |
|-----|---|---|---|
| 3.1 | - | 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/A (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 Realty Trust'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.

- 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 (File No. 001-11954), filed on December 21, 2004 *
- 3.12 - Articles Supplementary Classifying Vornado Realty Trust's \$3.25 Series A Convertible 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, liquidation preference \$25.00 per share, 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 11, 2002 *
- 3.14 - Articles Supplementary Classifying Vornado Realty Trust's Series D-6 8.25% Cumulative Redeemable Preferred Shares, liquidation preference \$25.00 per share, 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 (File No. 001-11954), filed May 19, 2000 *
- 3.15 - Articles Supplementary Classifying Vornado Realty Trust's Series D-8 8.25% Cumulative Redeemable Preferred Shares, liquidation preference \$25.00 per share - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 28, 2000 *
- 3.16 - Articles Supplementary Classifying Vornado Realty Trust's Series D-9 8.75% Preferred Shares, liquidation preference \$25.00 per share, 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 *
- 3.17 - Articles Supplementary Classifying Vornado Realty Trust's Series D-10 7.00% Cumulative Redeemable Preferred Shares, liquidation preference \$25.00 per share, 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 *
- 3.18 - Articles Supplementary Classifying Vornado Realty Trust's Series D-11 7.20% Cumulative Redeemable Preferred Shares, liquidation preference \$25.00 per share, 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 *

* _____
Incorporated by reference.

- 3.19 - 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 *
- 3.20 - 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 *
- 3.21 - 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 (File No. 001-11954), filed on December 21, 2004 *
- 3.22 - 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 (File No. 001-11954), filed on December 21, 2004 *
- 3.23 - Articles Supplementary Classifying Vornado Realty Trust's 6.750% Series H Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value – Incorporated by reference to Exhibit 3.32 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on June 16, 2005 *
- 3.24 - Articles Supplementary Classifying Vornado Realty Trust's 6.625% Series I Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value – Incorporated by reference to Exhibit 3.33 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on August 30, 2005 *
- 3.25 - Articles Supplementary Classifying Vornado Realty Trust's Series D-14 6.75% Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on September 14, 2005 *
- 3.26 - Articles Supplementary Classifying Vornado Realty Trust's Series D-15 6.875% Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share – Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on May 3, 2006, and Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on August 23, 2006 *
- 3.27 - 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 *
- 3.28 - Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of October 20, 1997 (the "Partnership Agreement") – Incorporated by reference to Exhibit 3.26 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 *
- 3.29 - Amendment to the Partnership Agreement, dated as of December 16, 1997 – Incorporated by reference to Exhibit 3.27 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 *

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Incorporated by reference.

- 3.30 - Second Amendment to the Partnership Agreement, dated as of April 1, 1998 – Incorporated by reference to Exhibit 3.5 to Vornado Realty Trust’s Registration Statement on Form S-3 (File No. 333-50095), filed on April 14, 1998 *
- 3.31 - Third Amendment to the Partnership Agreement, dated as of November 12, 1998 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on November 30, 1998 *
- 3.32 - Fourth Amendment to the Partnership Agreement, dated as of November 30, 1998 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on February 9, 1999 *
- 3.33 - Fifth Amendment to the Partnership Agreement, dated as of March 3, 1999 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on March 17, 1999 *
- 3.34 - Sixth Amendment to the Partnership Agreement, dated as of March 17, 1999 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999 *
- 3.35 - Seventh Amendment to the Partnership Agreement, dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999 *
- 3.36 - Eighth Amendment to the Partnership Agreement, dated as of May 27, 1999 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999 *
- 3.37 - Ninth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999 *
- 3.38 - Tenth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999 *
- 3.39 - Eleventh Amendment to the Partnership Agreement, dated as of November 24, 1999 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on December 23, 1999 *
- 3.40 - Twelfth Amendment to the Partnership Agreement, dated as of May 1, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on May 19, 2000 *
- 3.41 - Thirteenth Amendment to the Partnership Agreement, dated as of May 25, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on June 16, 2000 *
- 3.42 - Fourteenth Amendment to the Partnership Agreement, dated as of December 8, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on December 28, 2000 *
- 3.43 - Fifteenth Amendment to the Partnership Agreement, dated as of December 15, 2000 - Incorporated by reference to Exhibit 4.35 to Vornado Realty Trust’s Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001 *

* Incorporated by reference.

- 3.44 - Sixteenth Amendment to the Partnership Agreement, dated as of July 25, 2001 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001 *
- 3.45 - Seventeenth Amendment to the Partnership Agreement, dated as of September 21, 2001 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001 *
- 3.46 - Eighteenth Amendment to the Partnership Agreement, dated as of January 1, 2002 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 001-11954), filed on March 18, 2002 *
- 3.47 - 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), filed on August 7, 2002 *
- 3.48 - Twentieth Amendment to the Partnership Agreement, dated April 9, 2003 - Incorporated by reference to Exhibit 3.46 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 *
- 3.49 - Twenty-First Amendment to the Partnership Agreement, dated as of July 31, 2003 - Incorporated by reference to Exhibit 3.47 to 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 *
- 3.50 - Twenty-Second Amendment to the Partnership Agreement, dated as of November 17, 2003 - Incorporated by reference to Exhibit 3.49 to 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 *
- 3.51 - Twenty-Third Amendment to the Partnership Agreement, dated May 27, 2004 - Incorporated by reference to Exhibit 99.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 14, 2004 *
- 3.52 - 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 *
- 3.53 - 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 *
- 3.54 - Twenty-Sixth Amendment to the Partnership Agreement, dated December 17, 2004 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004 *
- 3.55 - Twenty-Seventh Amendment to the Partnership Agreement, dated December 20, 2004 - Incorporated by reference to Exhibit 3.2 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004 *
- 3.56 - Twenty-Eighth Amendment to the Partnership Agreement, dated December 30, 2004 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on January 4, 2005 *

* Incorporated by reference.

- 3.57 - Twenty-Ninth Amendment to the Partnership Agreement, dated June 17, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 21, 2005 *
- 3.58 - Thirtieth Amendment to the Partnership Agreement, dated August 31, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on September 1, 2005 *
- 3.59 - Thirty-First Amendment to the Partnership Agreement, dated September 9, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on September 14, 2005 *
- 3.60 - Thirty-Second Amendment and Restated Agreement of Limited Partnership, dated as of December 19, 2005 – Incorporated by reference to Exhibit 3.59 to Vornado Realty L.P.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (File No. 000-22685), filed on May 8, 2006 *
- 3.61 - Thirty-Third Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of April 25, 2006 – Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Form 8-K (File No. 001-11954), filed on May 1, 2006 *
- 3.62 - Thirty-Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of May 2, 2006 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on May 3, 2006 *
- 3.63 - Thirty-Fifth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of August 17, 2006 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Form 8-K (File No. 000-22685), filed on August 23, 2006 *
- 3.64 - Thirty-Sixth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of October 2, 2006 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Form 8-K (File No. 000-22685), filed on January 22, 2007 *
- 4.1 - Indenture and Servicing Agreement, dated as of March 1, 2000, among Vornado Finance LLC, LaSalle Bank National Association, ABN Amro Bank N.V. and Midland Loan Services, Inc. - Incorporated by reference to Exhibit 10.48 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 *
- 4.2 - 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 (File No. 000-22685), filed on June 24, 2002 *
- 4.3 - Indenture, dated as of November 25, 2003, between Vornado Realty L.P. and The Bank of New York, as Trustee - Incorporated by reference to Exhibit 4.10 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (File No. 001-11954), filed on April 28, 2005 *
- 4.4 - Indenture, dated as of November 20, 2006, among Vornado Realty Trust, as Issuer, Vornado Realty L.P., as Guarantor and The Bank of New York, as Trustee – Incorporated by reference to Exhibit 4.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on November 27, 2006 *

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Incorporated by reference.

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.

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| 10.1 | ** | - | Vornado Realty Trust's 1993 Omnibus Share Plan - Incorporated by reference to Exhibit 4.1 to Vornado Realty Trust's Registration Statement on Form S-8 (File No. 331-09159), filed on July 30, 1996 | * |
| 10.2 | ** | - | Vornado Realty Trust's 1993 Omnibus Share Plan, as amended - Incorporated by reference to Exhibit 4.1 to Vornado Realty Trust'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, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 (File No. 001-11954), filed May 8, 1992 | * |
| 10.4 | ** | - | Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated December 2, 1996 - Incorporated by reference to Exhibit 10(C)(3) to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 001-11954), filed March 13, 1997 | * |
| 10.5 | | - | Registration Rights Agreement between Vornado, Inc. and Steven Roth, dated December 29, 1992 - Incorporated by reference to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993 | * |
| 10.6 | | - | Stock Pledge Agreement between Vornado, Inc. and Steven Roth dated December 29, 1992 - Incorporated by reference to Vornado, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993 | * |
| 10.7 | | - | Management Agreement between Interstate Properties and Vornado, Inc. dated July 13, 1992 - Incorporated by reference to Vornado, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993 | * |
| 10.8 | | - | 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, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993 | * |
| 10.9 | | - | Amendment to Real Estate Retention Agreement between Vornado, Inc., Keen Realty Consultants, Inc. and Alexander's, Inc., dated February 6, 1995 - Incorporated by reference to Exhibit 10(F)(2) to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995 | * |
| 10.10 | | - | Stipulation between Keen Realty Consultants Inc. and Vornado Realty Trust re: Alexander's Retention Agreement - Incorporated by reference to Exhibit 10(F)(2) to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 001-11954), filed March 24, 1994 | * |
| 10.11 | ** | - | 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 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997 | * |

* Incorporated by reference.

** Management contract or compensatory agreement.

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| 10.12 | - | 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 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 | * |
| 10.13 | ** | Promissory Note from Steven Roth to Vornado Realty Trust, dated December 23, 2005 – Incorporated by reference to Exhibit 10.15 to Vornado Realty Trust Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-11954), filed on February 28, 2006 | * |
| 10.14 | ** | Letter agreement, dated November 16, 1999, between Steven Roth and Vornado Realty Trust - Incorporated by reference to Exhibit 10.51 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 | * |
| 10.15 | - | 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 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on January 16, 2002 | * |
| 10.16 | - | 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 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 1-11954), filed on March 18, 2002 | * |
| 10.17 | - | 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 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 1-11954), filed on March 18, 2002 | * |
| 10.18 | ** | 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 | * |
| 10.19 | ** | 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 | * |
| 10.20 | - | Registration Rights Agreement, dated as of July 21, 1999, by and between Vornado Realty Trust and the holders of Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-102217), filed on December 26, 2002 | * |
| 10.21 | - | Form of Registration Rights Agreement between Vornado Realty Trust and the holders of Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.3 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-102217), filed on December 26, 2002 | * |

* Incorporated by reference.

** Management contract or compensatory agreement.

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| 10.22 | - | 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) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 | * |
| 10.23 | - | 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) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 | * |
| 10.24 | - | 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) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 | * |
| 10.25 | - | 59th Street Management and Development Agreement, dated as of July 3, 2002, by and between 731 Residential LLC, 731 Commercial LLC and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(2) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 | * |
| 10.26 | - | 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/A dated May 29, 2002 (File No. 005-44144), filed on May 30, 2002 | * |
| 10.27 | ** | Vornado Realty Trust's 2002 Omnibus Share Plan - Incorporated by reference to Exhibit 4.2 to Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-102216) filed December 26, 2002 | * |
| 10.28 | - | Registration Rights Agreement by and between Vornado Realty Trust and Bel Holdings LLC dated as of November 17, 2003 – Incorporated by reference to Exhibit 10.68 to 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 | * |
| 10.29 | - | Registration Rights Agreement, dated as of May 27, 2004, by and between Vornado Realty Trust and 2004 Realty Corp. – Incorporated by reference to Exhibit 10.75 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 25, 2005 | * |
| 10.30 | - | Registration Rights Agreement, dated as of December 17, 2004, by and between Vornado Realty Trust and Montebello Realty Corp. 2002 – Incorporated by reference to Exhibit 10.76 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 25, 2005 | * |
| 10.31 | ** | Form of Stock Option Agreement between the Company and certain employees – 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 25, 2005 | * |
| 10.32 | ** | Form of Restricted Stock Agreement between the Company and certain employees – 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 25, 2005 | * |

* Incorporated by reference.

** Management contract or compensatory agreement.

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| 10.33 | ** | - | Employment Agreement between Vornado Realty Trust and Sandeep Mathrani, dated February 22, 2005 and effective as of January 1, 2005 – Incorporated by reference to Exhibit 10.76 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (File No. 001-11954), filed on April 28, 2005 | * |
| 10.34 | | - | Contribution Agreement, dated May 12, 2005, by and among Robert Kogod, Vornado Realty L.P. and certain Vornado Realty Trust’s affiliates – Incorporated by reference to Exhibit 10.49 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-11954), filed on February 28, 2006 | * |
| 10.35 | ** | - | Amendment, dated March 17, 2006, to the Vornado Realty Trust Omnibus Share Plan – Incorporated by reference to Exhibit 10.50 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (File No. 001-11954), filed on May 2, 2006 | * |
| 10.36 | ** | - | Form of Vornado Realty Trust 2006 Out-Performance Plan Award Agreement, dated as of April 25, 2006 – Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust’s Form 8-K (File No. 001-11954), filed on May 1, 2006 | * |
| 10.37 | ** | - | Form of Vornado Realty Trust 2002 Restricted LTIP Unit Agreement – Incorporated by reference to Vornado Realty Trust’s Form 8-K (Filed No. 001-11954), filed on May 1, 2006 | * |
| 10.38 | ** | - | Revolving Credit Agreement, dated as of June 28, 2006, among the Operating Partnership, the banks party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Citicorp North America, Inc., as Syndication Agents, Deutsche Bank Trust Company Americas, Lasalle Bank National Association, and UBS Loan Finance LLC, as Documentation Agents and Vornado Realty Trust – Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust’s Form 8-K (File No. 001-11954), filed on June 28, 2006 | * |
| 10.39 | ** | - | Amendment No.2, dated May 18, 2006, to the Vornado Realty Trust Omnibus Share Plan – Incorporated by reference to Exhibit 10.53 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (File No. 001-11954), filed on August 1, 2006 | * |
| 10.40 | ** | - | Amended and Restated Employment Agreement between Vornado Realty Trust and Joseph Macnow dated July 27, 2006 – Incorporated by reference to Exhibit 10.54 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (File No. 001-11954), filed on August 1, 2006 | * |
| 10.41 | | - | Guaranty, made as of June 28, 2006, by Vornado Realty Trust, for the benefit of JP Morgan Chase Bank – Incorporated by reference to Exhibit 10.53 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-11954), filed on October 31, 2006 | * |
| 10.42 | ** | - | Amendment, dated October 26, 2006, to the Vornado Realty Trust Omnibus Share Plan – Incorporated by reference to Exhibit 10.54 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-11954), filed on October 31, 2006 | * |
| 10.43 | ** | - | Amendment to Real Estate Retention Agreement, dated January 1, 2007, by and between Vornado Realty L.P. and Alexander’s Inc. – Incorporated by reference to Exhibit 10.55 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-11954), filed on February 27, 2007 | * |

* Incorporated by reference.

** Management contract or compensatory agreement.

- 10.44 ** - Amendment to 59th Street Real Estate Retention Agreement, dated January 1, 2007, by and among Vornado Realty L.P., 731 Retail One LLC, 731 Restaurant LLC, 731 Office One LLC and 731 Office Two LLC. – Incorporated by reference to Exhibit 10.56 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-11954), filed on February 27, 2007
- 10.45 - Stock Purchase Agreement between the Sellers identified and Vornado America LLC, as the Buyer, dated as of March 5, 2007
- 10.46 ** - Employment Agreement between Vornado Realty Trust and Mitchell Schear, as of April 19, 2007
- 15.1 - Letter Regarded 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.

May 1, 2007

Vornado Realty Trust
New York, New York

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Vornado Realty Trust for the periods ended March 31, 2007 and 2006, as indicated in our report dated May 1, 2007; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 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. 333-121929 on Form S-3
Registration Statement No. 333-120384 on Form S-3
Registration Statement No. 333-126963 on Form S-3
Registration Statement No. 333-139646 on Form S-3
Registration Statement No. 333-141162 on Form S-3

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

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

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

/s/ Deloitte & Touche LLP
Parsippany, New Jersey

CERTIFICATION

I, Steven Roth, certify that:

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

May 1, 2007

/s/ Steven Roth

Steven Roth
Chief Executive Officer

CERTIFICATION

I, Joseph Macnow, certify that:

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

May 1, 2007

/s/ Joseph Macnow

Joseph Macnow
Executive Vice President and Chief Financial Officer

CERTIFICATION

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

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

The Quarterly Report on Form 10-Q for quarter ended March 31, 2007 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 1, 2007

/s/ Steven Roth

Name: Steven Roth
Title: Chief Executive Officer

CERTIFICATION

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

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

The Quarterly Report on Form 10-Q for quarter ended March 31, 2007 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 1, 2007

/s/ Joseph Macnow

Name: Joseph Macnow

Title: Chief Financial Officer

FORM OF STOCK PURCHASE AGREEMENT

between

the Sellers identified herein

and

Vornado America LLC,

as the Buyer

Dated as of March 5, 2007

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STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT, dated as of March 5, 2007 (this "Agreement"), between the Sellers identified herein and Vornado America LLC, a Delaware limited liability company (the "Buyer").

RECITALS

A. The Sellers own all of the issued and outstanding shares (the "Shares") of common stock of the entities (each a "Target" and collectively, the "Targets") listed in Schedule 3.4(a).

B. Collectively, the Targets indirectly own a 69% limited partnership interest and a 1% general partnership interest in certain limited partnerships that own fee interests in: (1) the 1290 Property; and (2) the 555 Property (each, a "Property" and together, the "Properties").

C. In order to transfer their aggregate 70% interest in the Properties to the Buyer, the Sellers wish to sell to the Buyer, and the Buyer wishes to purchase from the Sellers, all of the Shares.

AGREEMENT

In consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Certain Defined Terms. For purposes of this Agreement:

"401(k) Resolutions" means the resolutions (effective as of the day before the Closing Date) of the general partner of HWA I in the form attached hereto as Exhibit 2.5(h).

"555 Mezzanine Debt Agreements" means (i) the First Mezzanine Loan Agreement, dated as of September 2, 2004, between 555 California Mezz-1 LLC, a Delaware limited liability company, and Bank of America, N.A., a national banking association ("Bank of America"), as amended, restated, replaced, supplemented or otherwise modified as reflected on Schedule 3.16(a), (ii) the Second Mezzanine Loan Agreement, dated as of September 2, 2004, between 555 California Mezz-2 LLC, a Delaware limited liability company, and Bank of America, as amended, restated, replaced, supplemented or otherwise modified as reflected on Schedule 3.16(a), (iii) the Third Mezzanine Loan Agreement, dated as of September 2, 2004, between 555 California Mezz-3 LLC, a Delaware limited liability company, and Bank of America, as amended, restated, replaced, supplemented or otherwise modified as reflected on Schedule 3.16(a), (iv) the Fourth Mezzanine Loan Agreement, dated as of September 2, 2004, between 555 California Mezz-4 LLC, a Delaware limited liability company, and Bank of America, as amended, restated, replaced, supplemented or otherwise modified as reflected on

Schedule 3.16(a) and (v) the Fifth Mezzanine Loan Agreement, dated as of September 2, 2004, between 555 California Mezz-5 LLC, a Delaware limited liability company, and Bank of America, as amended, restated, replaced, supplemented or otherwise modified as reflected on Schedule 3.16(a).

"555 Property" means the properties commonly know as (i) 555 California Street, San Francisco, CA; (ii) 315 Montgomery Street, San Francisco, CA; and (iii) 345 Montgomery Street, San Francisco, CA, as more fully described on Exhibit 1.1.

"555 Purchase Agreement" means the Purchase and Sale Agreement and Joint Escrow Instructions, dated as of September 20, 2005, by and between HWA LLC and 555 California Owner, L.P.

"555 Senior Debt Agreement" means the Loan Agreement, dated as of September 2, 2004, between 555 California Owners LLC, a Delaware limited liability company, and Bank of America, as amended, restated, replaced, supplemented or otherwise modified as reflected on Schedule 3.16(a).

"1290 Property" means the property commonly known as 1290 Avenue of the Americas, New York, NY, as more fully described on Exhibit 1.1.

"1290 Purchase Agreement" means the Purchase and Sale Agreement, dated as of December 18, 2005, between Jamestown 1290, L.P. and HWA 1290 LLC.

"1290 Senior Debt Agreement" means the Loan Agreement, dated as of September 9, 2002, between Jamestown 1290, L.P., a Delaware limited partnership, and Morgan Stanley Dean Witter Mortgage Capital Inc., a New York corporation, as amended, restated, replaced, supplemented or otherwise modified as reflected on Schedule 3.16(a).

"Action" means any claim, action, suit, arbitration or proceeding by or before any Governmental Authority.

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

"Ancillary Agreements" means (i) the Indemnification Agreement; (ii) the Escrow Agreement; (iii) the UK Tax Agreement; (iv) the Non-Imputation Affidavits; and (v) the Owners' Affidavit.

"Business Day" means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in The City of New York.

"Buyer Material Adverse Effect" means any event, change, circumstance, effect or state of facts that materially delays, prevents or impairs the ability of the Buyer to perform its obligations under this Agreement or the Ancillary Agreements to which it is a party, or to consummate the transactions contemplated hereby or thereby.

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

"Condominiums" means all condominiums owned by the Hudson Waterfront Partnerships, which condominiums are listed on Schedule 1.1(a) hereto.

"Confidentiality Agreements" means the confidentiality agreement, dated September 20, 2006, between Hudson Waterfront II Corporation, Hudson Waterfront III Corporation, Hudson Waterfront IV Corporation and Hudson Waterfront V Corporation, on the one hand, and the Buyer, on the other hand, as supplemented by the Supplement to the HWA Confidentiality Agreement, dated December 14, 2006, and the confidentiality agreement, dated September 20, 2006, between Stockdale Enterprises, Inc. and the Buyer, as supplemented by the Supplement to the Stockdale Confidentiality Agreement, dated December 14, 2006.

"Contract" means any written agreement, lease, license, contract, note, mortgage, indenture, arrangement or other obligation.

"control", including the terms "controlled by" and "under common control with", means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, as trustee or executor, as general partner or managing member, by contract or otherwise.

"Debt" means any indebtedness for borrowed money pursuant to the 555 Mezzanine Debt Agreements; the 555 Senior Debt Agreement and the 1290 Senior Debt Agreement.

"Debt Agreements" means the 555 Mezzanine Debt Agreements, the 555 Senior Debt Agreement and the 1290 Senior Debt Agreement.

"Debt Consents" means those consents required under the 555 Senior Debt Agreement and the 555 Mezzanine Debt Agreements to be given by the respective Lenders (as defined therein) thereunder in connection with the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements.

"Encumbrance" means any charge, mortgage, lien, pledge, security interest, encumbrance or easement, including any right of first refusal or purchase option or, with respect to the Shares or the Equity Interests, restriction on voting.

"Escrow Agreement" means the escrow agreement dated the date hereof between the Sellers, the Buyer and the Escrow Agent attached hereto as Exhibit 2.2.

"Extell Purchase Agreement" means the Agreement of Sale and Purchase by and among Hudson Waterfront Company A, LLC, Hudson Waterfront Company C, LLC, Hudson Waterfront Company D, LLC, Hudson Waterfront Company E, LLC, Hudson Waterfront Company F, LLC, Hudson Waterfront Company G, LLC, HWA III, HWA IV and HWA V, collectively as sellers and CRP/Extell Riverside, L.P. as purchaser, dated as of June 17, 2005.

"Final Adjustment Amount" means (x) the total Other Assets, minus (y) the total Other Liabilities, minus, (z) the Partner Priority Return Adjustment Amount, all as shown on the Final Adjustment Statement, as such amount may be revised in accordance with Section 2.7(c).

"Final Adjustment Statement" means the statement that sets forth the Other Assets, Other Liabilities and the Partner Priority Return Adjustment Amount, each as of the Closing Date, prepared, or caused to be prepared, and as may be revised, by the Sellers in accordance with Section 2.7(a) hereof; provided, however, that the liability for unpaid income Taxes included in Other Liabilities shall be (i) in respect of the period through March 31, 2007, the actual amount of income Taxes due as reflected in the Tax Returns of the Targets and Subsidiaries filed for the tax year then ended, and (ii) in respect of the period between April 1, 2007 and the Closing Date, the then most-current estimate prepared by the Sellers.

"Governmental Authority," means any United States federal, state or local or foreign or multinational governmental, quasi-governmental, regulatory or administrative authority, agency, bureau, department, tribunal, self-regulatory organization or commission or similar body or instrumentality thereof, or any judicial or arbitral body.

"Hudson Waterfront Partnerships" means HWA I, HWA II, HWA III, HWA IV and HWA V.

"HWA I" means Hudson Waterfront Associates I, L.P., a Delaware limited partnership.

"HWA II" means Hudson Waterfront Associates II, L.P., a Delaware limited partnership.

"HWA III" means Hudson Waterfront Associates III, L.P., a Delaware limited partnership.

"HWA IV" means Hudson Waterfront Associates IV, L.P., a Delaware limited partnership.

"HWA V" means Hudson Waterfront Associates V, L.P., a Delaware limited partnership.

"Indemnification Agreement" means the agreement attached hereto as Exhibit 2.4(a).

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

"Knowledge" with respect to the Sellers means the knowledge of Mr. Barry Gross, after due inquiry of the building managers for each of the Properties.

"Law" means any statute, law, ordinance, regulation, rule, code, injunction, judgment, decree or order of any Governmental Authority.

"Legal Action" has the meaning provided in the Indemnification Agreement.

"Material Adverse Effect" means any event, change, circumstance, effect or state of facts that is (i) materially adverse to the business, financial condition, operations, assets, liabilities or results of operations of (x) the Targets and the Subsidiaries, taken as a whole, or (y) any of the Properties or (ii) prevents or materially delays or impairs the ability of the Sellers to perform their obligations under this Agreement or the Ancillary Agreements to which they will be parties or to consummate the transactions contemplated hereby or thereby; provided, however, that "Material Adverse Effect" shall not include the effect of any circumstance, change, development, event or state of facts arising out of or attributable to any of the following, either alone or in combination: (1) the markets in which the Properties operate generally, (2) any casualty or condemnation of the Properties, (3) general economic or political conditions (including those affecting the securities markets), (4) the public announcement of this Agreement or of the consummation of the transactions contemplated hereby, (5) acts of war (whether or not declared), sabotage or terrorism, military actions or the escalation thereof or other force majeure events occurring after the date hereof, (6) any changes in applicable laws, regulations or accounting rules or (7) any findings of fact made by the court in, or admissions made by or on behalf of any party in writing and submitted to the court in, the Legal Action.

"Monetary New Title Matter" means any New Title Matter that is capable of being discharged solely by the payment of a specified amount of money.

"New Title Matter" means any Encumbrance against any Property other than (a) those Encumbrances that are Permitted Encumbrances pursuant to clauses (i), (iii), (iv), (v), (vi) and (viii) of the definition of Permitted Encumbrance, (b) any Encumbrance identified in the Schedules or (c) any Encumbrance created by the Buyer.

"Non-Imputation Affidavits" means the non-imputation affidavits to be dated the Closing Date in favor of the title insurance companies identified therein attached hereto as Exhibit 2.5(d), updated as of the Closing Date to reflect any matters of which the Sellers become aware after the date hereof, provided such matters do not violate the covenant contained in Section 5.1(l) of this Agreement.

"Non-Monetary New Title Matter" means any New Title Matter that is not a Monetary New Title Matter.

"Other Assets" means the Targets' interest in the following assets owned by the Targets and their Subsidiaries (with respect to those assets owned by a Subsidiary, the Targets' indirect percentage interest in such assets based on the Targets' direct or indirect percentage interest in such Subsidiary as set forth in Schedule 3.6(a)) as of the Closing Date:

- (i) all cash and cash equivalents (whether or not pledged to a third party) minus the aggregate amount of all insurance and condemnation proceeds received after January 1, 2006;
- (ii) escrowed amounts held by the lenders pursuant to the Debt and other deposits held by third parties (including deposits held by utilities);

(iii) the principal amount owed to the Hudson Waterfront Partnerships, as the mortgagees, of the condominiums set forth on Schedule 1.1(b) (true and complete copies of such mortgages have been provided to the Buyer prior to the date hereof);

(iv) all prepaid expenses and credits (including, but not limited to, prepaid Property Taxes and personal property Taxes to the extent attributable to any periods or portions thereof beginning on or after the Closing Date and prepaid insurance premiums);

(v) all accrued and unpaid rents, whether base rents, additional rents or otherwise (including any operating expense escalation payments, real estate tax escalation payments, and percent rent, if any), under the Leases in respect of all periods through but not including the Closing Date (and in the month in which the Closing occurs, based on the actual number of days in the month during which the Closing occurs);

(vi) all accrued and unpaid administrative charges, if any, permitted under the Leases and applicable law, on security deposits held pursuant to the Leases; and

(vii) fuel, if any, as estimated by the supplier, at most recent actual cost (it being understood and agreed that letters from suppliers will be presumptive evidence as to the amount and pricing of fuel on hand absent any other more definitive basis for measurement).

"Other Liabilities" means the Targets' share of the following liabilities of the Targets and the Subsidiaries (with respect to the liabilities of any Subsidiary, the Targets' indirect share of such liabilities based on the Targets' direct or indirect percentage interest in such Subsidiary as set forth in Schedule 3.6(a)) as of the Closing Date:

(i) all advance payments to, or funds of third parties on deposit with, any Target or Subsidiary as of the Closing Date, including advance payments and security deposits (including any accrued interest on such deposits) by tenants under the Leases;

(ii) all income and withholding Tax liabilities for any Pre-Closing Tax Period that are shown as due under Tax Returns filed on or prior to the Closing Date or that have been assessed by a Governmental Authority on or prior to the Closing Date but, in each case, that remain unpaid as of the Closing Date, and (B) all estimated taxes that are attributable to Tax Returns for a Pre-Closing Tax Period that are not required to be filed on or prior to the Closing Date determined in a manner consistent with the Sellers' past practice;

(iii) the notional amount of United States withholding tax that would be payable upon the distribution of the accumulated and current earnings and profits of the Subsidiaries through the Closing Date to

the respective Targets, to the extent not previously paid or withheld, and for purposes of determining accumulated and current earnings and profits of the Subsidiaries through the Closing Date, crediting 50% of any deficit in accumulated or current earnings and profits of any Subsidiary against any positive accumulated or current earnings and profits, as the case may be, of all other Subsidiaries;

(iv) all accrued but unpaid Property Taxes, sewer rents and taxes, water rates and charges, vault charges and taxes and assessments and other governmental taxes, charges or assessments levied against the Properties as of the Closing Date (but not including any Transfer Taxes);

(v) all accrued but unpaid payroll, occupation, capital stock, severance, stamp, employment, social security (or similar), unemployment, disability, sales, and occupancy Taxes levied against the Targets or the Subsidiaries as of the Closing Date (but not including any Transfer Taxes);

(vi) the amount of any Monetary New Title Matter that the Sellers elect to treat as an "Other Liability" pursuant to Section 5.16(b);

(vii) all accrued but unpaid wages and fringe benefits and other compensation payable to any employees of the Targets or the Subsidiaries;

(viii) 50% of the amount of (A) all unpaid tenant improvement allowances payable or that will become payable to a tenant (including any such allowances that have been converted to "free rent" for any period after the Closing and which are noted on Schedule 2.6) ("Tenant Improvement Allowances") in respect of any Leases executed prior to the date hereof (but excluding amounts due upon any renewals or extensions of such Leases or for any must-take space or option space under such Leases) and (B) commissions (or similar compensation due a broker, agent or finder) owing, or that will become payable ("Brokerage Commissions") (1) in respect of any Leases executed prior to the date hereof (but excluding amounts due upon any renewals or extensions of such Leases or for any must-take space or option space under such Leases) or (2) as otherwise set forth on Schedule 2.6, less the total amount of all payments made in respect of clauses A or B between the date hereof and the Closing Date;

(ix) all accounts payable, including any unpaid insurance premiums; an

(x) all accrued but unpaid interest under the Debt.

"Owners' Affidavit" means the general affidavit with respect to the 1290 Property to be dated the Closing Date in favor of the title insurance companies identified therein attached hereto as Exhibit 2.5(e).

"Partner Priority Return" means the aggregate amount as of the Closing Date of the Partner Priority Return (as such term is defined in each Partnership Agreement) to which each Partner (as such term is defined in each Partnership Agreement) other than Donald J. Trump ("Trump") is entitled in respect of HWA I, HWA III, HWA IV and HWA V.

"Partner Priority Return Adjustment Amount" means (i) if the Partner Priority Return is less than \$151,445,000, 30% of the difference between the Partner Priority Return and \$151,445,000 or (ii) if the Partner Priority Return is equal to or greater than \$151,445,000, zero.

"Partnership Agreements" means the limited partnership agreements of the Hudson Waterfront Partnerships as set forth on Schedule 3.1(c).

"Permitted Encumbrance" means (i) statutory liens for current Taxes not yet due or delinquent (*i.e.*, which may be paid without interest or penalties) or the validity or amount of which is being contested in good faith by appropriate proceedings, (ii) mechanics', carriers', workers', repairers' and other similar liens arising or incurred in the ordinary course of business relating to obligations as to which there is no default on the part of the Targets or the Subsidiaries, or the validity or amount of which is being contested in good faith by appropriate proceedings, or pledges, deposits or other liens securing the performance of bids, trade contracts, leases or statutory obligations (including workers' compensation, unemployment insurance or other social security legislation), in each case that would not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; (iii) the rights of the tenants under the Leases, (iv) zoning, entitlement, conservation restriction and other land use and environmental regulations by Governmental Authorities; (v) all matters disclosed by any Title Materials, including the possible encroachment on the eastern property line of 1290 Avenue of the Americas; (vi) any lien or other Encumbrance filed by Trump on any of the Properties that is related to his ownership of limited interests in the Hudson Waterfront Partnerships or the Legal Action; (vii) any restriction on voting contained in any Target's or Subsidiary's certificate of incorporation, bylaws or equivalent organizational documents provided to the Buyer prior to the date hereof and listed on Schedule 3.1(c) hereto and (viii) any Encumbrance in respect of work being performed for and at the direction of a tenant and for which the tenant bears financial responsibility pursuant to its Lease (a "Tenant's Encumbrance").

"Person" means an individual, corporation, partnership, limited liability company, limited liability partnership, syndicate, person, trust, association, organization or other entity, including any Governmental Authority, and including any successor, by merger or otherwise, of any of the foregoing.

"Pre-Closing Adjustment Amount" means (x) the total Other Assets, minus (y) the total Other Liabilities, minus (z) the Partner Priority Return Adjustment Amount, all as shown on the Pre-Closing Adjustment Statement.

"Pre-Closing Adjustment Statement" means the Base Purchase Price adjustment statement that sets forth the estimated Other Assets, Other Liabilities and Partner Priority Return Adjustment Amount, each as of the Closing Date, prepared, or caused to be prepared, and as may be revised, by the Sellers in accordance with Section 2.6(a) hereof.

"Property Taxes" means any general or special real estate taxes, ad valorem taxes or other charges or assessments, business improvement district taxes and other state or local taxes, fees, charges or assessments in respect of real estate.

"Representatives" means, with respect to any Person, the officers, directors, trustees, employees, agents, accountants, advisors, bankers and other representatives of such Person.

"Schedules" means the schedules identified herein and attached hereto, which form an integral part of this Agreement.

"Seller" or "Sellers" means those entities identified in Schedule 3.4(a) as being the record and beneficial owners of the Shares.

"Share Transfer Instruments" means the instruments of transfer with respect to the Shares in the form attached hereto as Exhibit 2.3, duly endorsed in blank.

"Stockholders' Agreements" means those agreements listed on Schedule 2.5(j).

"Subsidiary" or "Subsidiaries" means those entities set forth in Schedule 3.6(a).

"Tax" or "Taxes" means any United States federal, state or local or foreign tax or withholding tax, including any interest and penalties thereon.

"Tax Return" means any return, declaration, report, statement, information statement and other document required to be filed with respect to Taxes.

"Tier 1 Subsidiaries" means those Subsidiaries listed in Schedule 1.1(c)

"Title Materials" means the materials specifically identified on Schedule 1.1(d), each of which has previously been delivered to the Buyer.

"Transfer Tax" means any stamp, registration, real or personal property transfer, documentary, notary fee or other similar Tax payable because of the transfer of the Shares from the Sellers to the Buyer.

"UK Tax Agreement" means the agreement attached hereto as Exhibit 2.4(b).

"Voluntary Title Matter" means any New Title Matter created by the Sellers or their Affiliates, including the Targets and the Subsidiaries, or any employee or agent of any of the foregoing, prior to the Closing, unless created after the date hereof as permitted in accordance with Section 5.1.

<u>Definition</u>	<u>Location</u>
AAA	11.9(a)
ADA	3.20
Agreement	Preamble
Bank of America	Definition of 555 Mezzanine Debt Agreements
Base Purchase Price	2.1
Basket Amount	9.5(b)(i)
Brokerage Commissions	Definition of Other Liabilities
Buyer	Preamble
Buyer Adjustment Statement Objection	2.7(b)
Buyer Indemnified Parties	9.2
Casualty Termination Notice	7.1(c)
Closing	2.3(a)
Closing Date	2.3(a)
Continuing Entities	2.5(i)
Covered Person	5.10
Deposit	2.2
Employee Plans	3.11(a)
Environmental Laws	3.15
Environmental Permits	3.15
Equity Interests	3.6(a)
ERISA	3.11(a)
ERISA Affiliate	3.11(d)
Escrow Agent	2.2
Escrow Fund	2.2
Estoppel Certificate	5.13
Excess Amount	5.16(b)
Extell	5.2(b)(i)
Financial Statements	3.7(a)
Hazardous Substances	3.15
HWA Extell Note	5.2(b)(i)
HWA I Tax Returns	6.2
Indemnified Party	9.4(a)
Indemnifying Party	9.4(a)
Independent Accounting Firm	2.7(c)
Insurance Policies	3.12
Lease	3.16(a)(iii)
Leases	3.16(a)(iii)
Losses	9.2
Major Casualty	7.1(a)

Material Contracts	3.16(a)
Material Portion	7.1(a)
Minimum Loss Amount	9.5(b)(i)
Non-Consolidation Opinion	5.8(c)
OFAC List	3.17
Order	8.1(a)
Organizational Documents	3.1(c)
Original Intercompany Notes	5.2(b)(iii)
Partnership Intercompany Notes	5.2(b)(iv)(A)
Permits	3.9(b)
Post-Closing Tax Period	6.3(a)
Potential Contributor	9.8
Pre-Closing Tax Period	6.3(a)
Properties	Recitals
Property	Recitals
Purchase Price	2.1
Rent Rolls	3.19
Restoration Costs	7.1(a)
Rules	11.9(a)
Securities Act	4.6
Seller Indemnified Parties	9.3
Shares	Recitals
Straddle Period	6.3(b)
Target	Recitals
Targets	Recitals
Tenant Improvement Allowances	Definition of Other Liabilities
Tenant's Encumbrance	Definition of Permitted Encumbrance
Third Party Claim	9.4(a)
Transaction Costs	2.8
Trump	Definition of Partner Priority Return
Trump Intercompany Notes	5.2(b)(iv)(C)
Westside II Partnership	5.2(b)(i)

ARTICLE II PURCHASE AND SALE

Section 2.1 Purchase and Sale of the Shares. Upon the terms and subject to the conditions of this Agreement, at the Closing, the Sellers shall sell, assign, transfer, convey and deliver the Shares and the Partnership Intercompany Notes to the Buyer, and the Buyer shall purchase the Shares and the Partnership Intercompany Notes from the Sellers, for an aggregate purchase price of \$1,165,000,000 (the "Base Purchase Price"), as adjusted pursuant to this Agreement (as so adjusted, the "Purchase Price").

Section 2.2 Purchase Price Deposit. Upon the execution and delivery of this Agreement, the Buyer shall deposit a portion of the Purchase Price in the amount of \$100,000,000 (the "Deposit") in immediately available funds in United States dollars in escrow with The Bank of New York, a New York banking corporation (the "Escrow Agent"), to be held by the Escrow Agent in accordance with the terms and conditions of this Agreement and the Escrow Agreement (the Deposit and the additional amounts to be deposited pursuant to Section 2.3(c)(ii) of this Agreement, together with any interest earned thereon, is referred to herein as the "Escrow Fund"). After the Closing, the amount remaining in the Escrow Fund shall secure the Sellers' indemnification obligations pursuant to Article IX of this Agreement. In the event that this Agreement is terminated prior to the Closing, the Escrow Agent shall disburse the Escrow Fund in accordance with Article X. The Buyer hereby grants the Sellers a first priority perfected security interest in such Escrow Fund as collateral security for the Buyer's obligation pursuant to Section 10.3, and each of the Sellers hereby grants the Buyer a first priority perfected security interest in such Escrow Fund as collateral security for the Sellers' obligations following the Closing.

Section 2.3 Closing.

(a) The sale and purchase of the Shares and the Partnership Intercompany Notes shall take place at a closing (the "Closing") to be held at the offices of Gibson, Dunn & Crutcher LLP, 200 Park Avenue, New York, New York, at 10:00 A.M., local time on May 15, 2007, subject to extension as provided in Section 2.3(b), or at such other place or at such other time or on such other date as the Sellers and the Buyer mutually may agree in writing. The day on which the Closing takes place is referred to as the "Closing Date".

(b) Each of the Sellers, on the one hand, and the Buyer, on the other hand, shall have the right, exercisable in one or more increments by delivering written notice to the other party, to adjourn the Closing Date to a date not later than June 15, 2007, if such party determines, in its judgment, that such adjournment is necessary to enable any of the conditions precedent to the other party's obligation to participate in the Closing to be satisfied (unless, the party receiving such notice responds in writing that it is willing to waive such unmet condition(s) and proceed with the Closing). Any such notice of deferral must include an explanation, in reasonable detail, of the reasons therefor, and following delivery thereof the party giving the notice shall thereafter apprise the other party on a regular basis of its progress in resolving the circumstances upon which the deferral was based. In addition, each of the Buyer and the Sellers shall have the additional right to extend the Closing Date in one or more increments to a date not later than July 31, 2007, if the condition set forth in Section 8.1(a) has not been met.

(c) At the Closing, (i)the Buyer shall deliver to the Sellers, by wire transfer to a bank account or accounts designated in writing by the Sellers to the Buyer at least five Business Days prior to the Closing Date, an amount equal to the Base Purchase Price, as adjusted pursuant to Section 2.6 less \$125,000,000 in immediately available funds in United States dollars; (ii)the Buyer shall deliver to the Escrow Agent, by wire transfer to an account designated in writing by the Escrow Agent to the Buyer at least five Business Days prior to the Closing Date, an amount equal to \$125,000,000 less the amount of the Escrow Fund at the close of business on the Business Day prior to the Closing Date for deposit into the Escrow Fund; and (iii)the Sellers shall deliver or cause to be delivered to the Buyer (A) certificates representing the Shares, duly

endorsed in blank or accompanied by Share Transfer Instruments, as appropriate, duly endorsed in blank in proper form for transfer, with appropriate transfer stamps, if any, affixed and (B) the Partnership Intercompany Notes duly endorsed in favor of the Buyer.

Section 2.4 Buyer Closing Deliveries. In addition to the payment of the funds specified in Section 2.3, at the Closing, the Buyer shall deliver the following to the Sellers:

- (a) a duly executed counterpart to the Indemnification Agreement;
- (b) a duly executed counterpart to the UK Tax Agreement; and
- (c) a duly executed officer's certificate pursuant to Section 8.2(a).

Section 2.5 Sellers Closing Deliveries. In addition to the delivery of the certificates representing the Shares and the Partnership Intercompany Notes as set forth in Section 2.3(c)(iii), at the Closing, the Sellers shall deliver the following to the Buyer:

- (a) a duly executed counterpart to the Indemnification Agreement;
- (b) a duly executed counterpart to the UK Tax Agreement;
- (c) the resignations required pursuant to Section 5.6;
- (d) the Non-Imputation Affidavits;
- (e) the Owners' Affidavit;
- (f) a duly executed officer's certificate pursuant to Section 8.3(a);
- (g) an opinion of Gibson, Dunn & Crutcher LLP in the form attached hereto as Exhibit 2.5(g);
- (h) the 401(k) Resolutions, duly adopted by the general partner of HWA I;

(i) confirmation that the officers, directors and other employees of the Targets and Subsidiaries (other than those entities identified in Schedule 5.2(b)(iv) and their Subsidiaries and Lenten Lily Limited) (such Targets and Subsidiaries, the "Continuing Entities") have relinquished in writing all withdrawal and other signature authority any of them may have had over any bank, brokerage or other investment account in which any funds or investment assets of any of the Continuing Entities are being held and have caused (or delivered to the Buyer instruments in form sufficient to cause) the bank or other financial institution to recognize one or more of the Buyer's Representatives (as identified by the Buyer to the Sellers at least three Business Days prior to the Closing) as replacement signatories on all accounts;

- (j) written instruments executed by all parties thereto terminating each of the Stockholders' Agreements;
- (k) resolutions of the board of directors of each of the Targets in the form attached hereto as Exhibit 2.5(k);

(l) copies of the updated share registers of each of the Targets reflecting the transfer of the Shares to the Buyer; and

(m) evidence that each of the Shares in bearer form shall have been exchanged for corresponding shares in registered form.

Section 2.6 Closing Date Base Purchase Price Adjustment.

(a) Not later than five Business Days prior to the Closing, the Sellers shall prepare and deliver, or cause to be prepared and delivered, together with reasonable supporting documentation, to the Buyer the Pre-Closing Adjustment Statement, which shall set forth the Sellers' good faith estimate of Other Assets, Other Liabilities, the Partner Priority Return Adjustment Amount and the Pre-Closing Adjustment Amount for the Targets as of the Closing. The Other Assets and Other Liabilities reflected in the Pre-Closing Adjustment Statement shall be prepared in accordance with the accounting methods, policies, practices and procedures set forth in Schedule 2.6. Not less than three Business Days prior to the Closing, the Buyer shall provide the Sellers with any good faith objections to the Pre-Closing Adjustment Statement in writing. After considering the Buyer's objections, the Sellers, acting reasonably and in good faith, shall make such revisions to the Pre-Closing Adjustment Statement with which they agree not less than two days prior to the Closing, and the Pre-Closing Adjustment Amount shall be based upon the amount set forth in the Sellers' revised Pre-Closing Adjustment Statement. Any disagreements that may continue to exist with respect to the Pre-Closing Adjustment Statement shall be resolved in connection with the Final Adjustment Statement pursuant to Sections 2.7(b) and (c).

(b) At the Closing, the Base Purchase Price shall be: (A) increased by the amount the Pre-Closing Adjustment Amount is greater than \$221,900,000 or (B) decreased by the amount the Pre-Closing Adjustment Amount is less than \$221,900,000.

Section 2.7 Post-Closing Purchase Price Adjustment.

(a) Upon the later of October 31, 2007 and 120 days following the Closing, the Sellers shall prepare and deliver, or cause to be prepared and delivered, to the Buyer the Final Adjustment Statement, which shall set forth the Other Assets and the Other Liabilities of the Targets as of the Closing Date and the Partner Priority Return Adjustment Amount. The Other Assets and the Other Liabilities reflected in the Final Adjustment Statement shall be prepared in accordance with the accounting methods, policies, practices and procedures set forth in Schedule 2.6. The Final Adjustment Amount shall be derived from the Final Adjustment Statement, and the Sellers shall deliver, or cause to be delivered, such calculation and the Final Adjustment Statement to the Buyer.

(b) The Buyer shall complete its review of the Final Adjustment Statement and the Buyer's calculation of the Final Adjustment Amount no later than December 31, 2007. During the Buyer's review period, the Sellers shall cooperate with the Buyer and its Representatives to provide them with any information used in preparing the Final Adjustment Statement. In the event that the Buyer believes that the Final Adjustment Statement has not been prepared in compliance with the terms of this Agreement, the Buyer may, on or before December 31,

2007, so inform the Sellers in writing (the "Buyer Adjustment Statement Objection"), setting forth the Buyer's objections and the adjustments to the Final Adjustment Amount that the Buyer believes should be made. If no Buyer Adjustment Statement Objection is received by the Sellers on or before December 31, 2007, then the Final Adjustment Amount, as set forth on the Final Adjustment Statement delivered by the Sellers, shall be final.

(c) During the ten Business Day period following delivery of a Buyer Adjustment Statement Objection by the Buyer to the Sellers, the parties in good faith shall seek to resolve in writing any differences that they may have with respect to the matters specified therein. During such ten Business Day period, the Buyer shall cooperate with the Sellers' auditors and other Representatives to provide them with any information used in preparing the Buyer Adjustment Statement Objection reasonably requested the Sellers' auditors and other Representatives. Any disputed items resolved in writing between the Buyer and the Sellers within such ten Business Day period shall be final and binding with respect to such items, and if the Sellers and the Buyer agree in writing on the resolution of each disputed item specified by the Buyer in the Buyer Adjustment Statement Objection and the calculation of the Final Adjustment Amount, the Final Adjustment Amount so determined shall be final and binding on the parties for all purposes hereunder. If the Sellers and the Buyer have not resolved all such differences by the end of such ten Business Day period, the Sellers and the Buyer shall submit, within 15 Business Days, in writing, to an independent public accounting firm (the "Independent Accounting Firm"), their briefs detailing their views as to the nature and amount of each item remaining in dispute and the calculation of the Final Adjustment Amount, and the Independent Accounting Firm shall make a written determination as to each such disputed item and the calculation of the Final Adjustment Amount, which determination shall be final and binding on the parties for all purposes hereunder. The Independent Accounting Firm shall be authorized to resolve only those items remaining in dispute between the parties in accordance with the standards set forth in this Section 2.7 within the range of the difference between the Buyer's position with respect thereto and the Sellers' position with respect thereto. The determination of the Independent Accounting Firm shall be based solely on the briefs submitted by the parties and not on independent review, and shall be accompanied by a certificate of the Independent Accounting Firm that it reached such determination in accordance with the provisions of this Section 2.7. The Independent Accounting Firm shall be Ernst & Young LLP or, if such firm is unable or unwilling to act, such other independent public accounting firm of national standing as shall be agreed promptly in writing by the Sellers and the Buyer. The Sellers and the Buyer shall use their commercially reasonable efforts to cause the Independent Accounting Firm to render a written decision resolving the matters submitted to it within 20 Business Days following the submission thereof. Judgment may be entered upon the written determination of the Independent Accounting Firm in any court having competent jurisdiction over the parties or their assets. The costs of any dispute resolution pursuant to this Section 2.7(c), including the fees and expenses of the Independent Accounting Firm and of any enforcement of the determination thereof, shall be borne by the parties in inverse proportion as they may prevail on the matters resolved by the Independent Accounting Firm, which proportionate allocation shall be calculated on an aggregate basis based on the relative dollar values of the amounts in dispute and shall be determined by the Independent Accounting Firm at the time the determination of such firm is rendered on the merits of the matters submitted. The fees and disbursements of the auditors and Representatives of each party incurred in connection with their preparation or review of the Final Adjustment

Statement and preparation or review of any Buyer Adjustment Statement Objection, as applicable, shall be borne by such party.

(d) The Purchase Price shall be increased or decreased, as the case may be, as follows:

(i) if the Final Adjustment Amount as finally determined pursuant to this Section 2.7 is greater than the Pre-Closing Adjustment Amount, the Purchase Price shall be increased in an amount equal to the difference between the Final Adjustment Amount and the Pre-Closing Adjustment Amount, and the Buyer shall pay such amount to the Sellers; and

(ii) if the Final Adjustment Amount as finally determined pursuant to this Section 2.7 is less than the Pre-Closing Adjustment Amount, the Purchase Price shall be decreased in an amount equal to the difference between the Final Adjustment Amount and the Pre-Closing Adjustment Amount, and the Sellers, jointly and severally, shall pay such amount to the Buyer.

(e) Amounts to be paid pursuant to Section 2.7(d) shall bear interest from the Closing Date to the date of such payment at a rate equal to the rate of interest from time to time published in The Wall Street Journal as the prime rate, calculated on the basis of a year of 365 days and the number of days elapsed. Payments in respect of Section 2.7(d) shall be made within three Business Days of final determination of the Final Adjustment Amount pursuant to the provisions of this Section 2.7 by wire transfer of United States dollars in immediately available funds to such account or accounts as may be designated in writing by the party entitled to such payment at least two Business Days prior to such payment date. For the avoidance of doubt, payments in respect of Section 2.7(d) shall not be subject to the Minimum Loss Amount, Basket Amount or other limitations set forth in Section 9.5.

Section 2.8 Transaction Costs. Regardless of law or convention, if the Closing occurs, it shall be the responsibility of the Buyer to, and the Buyer shall, pay or cause to be paid all transaction costs incurred by the Buyer, the Sellers, the Targets and the Subsidiaries in connection with the transactions contemplated hereby, including brokerage fees of CB Richard Ellis, Inc. and Sutton Canyon Capital Corp. and of any other broker engaged by the Buyer or any Affiliate of the Buyer in connection with the transactions described herein, costs of obtaining the Debt Consents, Transfer Taxes (as provided in Section 6.7 below) and title insurance costs (the "Transaction Costs"), and otherwise complete and file all Tax Returns of such Transfer Taxes in connection therewith in a timely manner, provided, however, that the Sellers jointly and severally (rather than the Buyer) shall pay the following: (a) the legal fees and expenses of counsel to any of the Sellers, (b) the legal fees and expenses of counsel to any of the Targets and their Subsidiaries for services rendered at or before the Closing in connection with the transactions contemplated hereby and (c) any brokerage fees incurred by any of the Sellers, Targets, Subsidiaries or any Affiliate of any of them, other than the fees of CB Richard Ellis, Inc. and Sutton Canyon Capital Corp. set forth above. In addition, it shall also be the responsibility of the Buyer to pay or cause to be paid all costs and fees in connection with obtaining the Debt Consents, Non-Consolidation Opinion and any other consents obtained pursuant to Section 5.8.

**ARTICLE III
REPRESENTATIONS AND WARRANTIES
OF THE SELLER**

Except as set forth in the corresponding Schedule attached hereto the Sellers hereby represent and warrant to the Buyer as follows:

Section 3.1 Organization and Qualification.

(a) Each Target is (i) a British Virgin Islands business company duly organized, validly existing and in good standing under the laws of the jurisdiction of the British Virgin Islands and has all necessary corporate power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted, and (ii) duly qualified or licensed as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except, in each case, for any such failure to be so qualified or licensed that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Each Subsidiary is (i) a corporation, a limited liability company or a limited partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation as set forth in Schedule 3.1(b), and has all necessary corporate, limited liability company or partnership power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted, and (ii) duly qualified or licensed as a foreign entity to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except, in each case, for any such failure to be so qualified or licensed that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(c) Schedule 3.1(c) sets forth a true, complete and correct list of the (i) certificates of incorporation, certificates of formation, and certificates of limited partnership and (ii) bylaws, limited liability company agreements and limited partnership agreements, or, in either case, the equivalent organizational documents (all such documents referred to in this Section 3.1(c) being referred to as the "Organizational Documents"), each as amended, of each Target and each Subsidiary. The Sellers have provided to the Buyer complete and correct copies of each of the Organizational Documents listed on Schedule 3.1(c) prior to the date of this Agreement, and each Organizational Document is in full force and effect.

Section 3.2 Authority. Each Seller has full power and authority to execute and deliver this Agreement and each of the Ancillary Agreements to which it is or will be a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by each Seller of this Agreement and each of the Ancillary Agreements to which each Seller is or will be a party and the consummation by each Seller of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary action. This Agreement has been, and upon the execution by each Seller of each of the Ancillary Agreements to which the Sellers will be parties

will have been, duly executed and delivered by each Seller. This Agreement constitutes, and upon their execution by the Sellers each of the Ancillary Agreements will constitute, the legal, valid and binding obligations of each Seller, enforceable against each Seller in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether considered in a proceeding in equity or at law).

Section 3.3 No Conflict; Required Filings and Consents.

(a) Except as set forth in Schedule 3.3(a), the execution, delivery and performance by each Seller of this Agreement and each of the Ancillary Agreements to which each Seller is or will be a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not:

- (i) conflict with or violate the Organizational Documents of any Seller, Target or Subsidiary;
- (ii) conflict with or violate any Law applicable to any Seller, Target or Subsidiary or by which any property or asset of any Seller, Target or Subsidiary is bound or affected; or
- (iii) conflict with, result in any breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) under, violate, require any consent of any Person pursuant to, or give to others any rights of termination, acceleration or cancellation of, or change any rights under any Contract to which any Seller, Target or Subsidiary is a party or by which any of their assets are bound;

except, in the case of clause (ii) or (iii), for any such conflicts, violations, breaches, defaults or other occurrences that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) No Seller, Target or Subsidiary is required to file, seek or obtain any notice, authorization, approval, order, permit or consent of or with, or make any filing with, any Governmental Authority in connection with the execution, delivery and performance by each Seller of this Agreement and each of the Ancillary Agreements to which each Seller is or will be a party or the consummation of the transactions contemplated hereby or thereby or in order to prevent the termination of any right, privilege, license or qualification of any Target or any Subsidiary, except for (i) such filings as may be required by any applicable federal or state securities or "blue sky" laws, (ii) where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or (iii) as may be necessary as a result of any facts or circumstances relating to the Buyer or any of its Affiliates.

Section 3.4 Shares and Partnership Intercompany Notes.

(a) Each Seller is the legal and beneficial owner of the number of Shares as set forth in Schedule 3.4(a). Each Seller has the right, authority and power to sell, assign and transfer the Shares owned by it to the Buyer. Upon delivery to the Buyer of certificates for the Shares at the Closing, the Buyer's payment of the Purchase Price and registration of the Shares in the name of the Buyer in the registers of members of the applicable Targets, the Buyer shall acquire title to the Shares, free and clear of any Encumbrance other than Encumbrances created by the Buyer.

(b) At the Closing, the Sellers will own the Partnership Intercompany Notes. Upon payment of the Purchase Price, the Buyer shall acquire title to the Partnership Intercompany Notes free and clear of any Encumbrance other than Encumbrances created by the Buyer.

Section 3.5 Capitalization. Each Target's authorized and outstanding capital stock is as set forth in Schedule 3.4(a). The Shares constitute all of the issued and outstanding capital stock of the Targets. The Shares are validly issued, fully paid and nonassessable. There are no outstanding obligations, options, warrants, convertible securities or other rights, agreements, arrangements or commitments of any kind relating to the capital stock of any Target or obligating any Target to issue or sell any shares of capital stock of, or any other interest in, any Target. There are no outstanding contractual obligations of any Target to repurchase, redeem or otherwise acquire any shares of capital stock of any Target or to provide funds to, or make any investment in, any other Person. There are no agreements or understandings in effect with respect to the voting or transfer of any of the capital stock of any of the Targets.

Section 3.6 Equity Interests.

(a) The record and beneficial ownership of the equity interests in each of the Subsidiaries directly or indirectly owned by the Targets (the "Equity Interests") is set forth in Schedule 3.6(a). Except for the equity interests owned, to the Knowledge of the Sellers, by CB Richard Ellis, Inc. and Trump as set forth on Schedule 3.6(a), the Equity Interests constitute all of the issued and outstanding equity interests in the Subsidiaries. Except for the Subsidiaries listed in Schedule 3.6(a), neither any Target nor any Subsidiary directly or indirectly owns any equity, partnership, membership or similar interest in, or any interest convertible into, exercisable for the purchase of or exchangeable for any such equity, partnership, membership or similar interest, or is under any current or prospective obligation to form or participate in, provide funds to, make any loan, capital contribution or other investment in or assume any liability or obligation of, any Person. Except as set forth in Schedule 3.6(a)(ii), the Equity Interests are held free and clear of any Encumbrance other than Encumbrances created by the Buyer. There are no outstanding obligations, options, warrants, convertible securities or other rights, agreements, arrangements or commitments of any kind relating to the Equity Interests or obligating any Subsidiary to issue or sell any shares of capital stock of, or any other interest in, any Subsidiary. There are no outstanding contractual obligations of any Subsidiary to repurchase, redeem or otherwise acquire any Equity Interests or to provide funds to, or make any investment in, any other Person. Except as required by this Agreement, there are no agreements or understandings in effect with respect to the voting or transfer of any of the Equity Interests.

(b) Schedule 3.6(b) sets forth the amount and timing of all Capital Contributions (as defined in each Partnership Agreement) made by any Partners (as defined in each Partnership Agreement) to the Hudson Waterfront Partnerships (other than HWA II) and all distributions made to any Partners by the Hudson Waterfront Partnerships (other than HWA II).

Section 3.7 Financial Statements; No Undisclosed Assets or Liabilities.

(a) Copies of the unaudited combined and combining statements of assets, liabilities and partners' capital for each of HWA I, HWA II, HWA III, HWA IV and HWA V as at March 31, 2004, 2005, and 2006 and as at December 31, 2006, and the related unaudited combined and combining statements of revenues and expenses for each of HWA I, HWA II, HWA III, HWA IV and HWA V, together with all related notes and schedules thereto (collectively referred to as the "Financial Statements") are attached hereto as Schedule 3.7(a). Each of the Financial Statements (i) has been prepared based on the books and records of each of HWA I, HWA II, HWA III, HWA IV and HWA V (except as may be indicated in the notes thereto), (ii) has been prepared on an United States federal income tax basis of accounting, applied on a consistent basis throughout the periods indicated (except as may be indicated in the notes thereto) and (iii) fairly reflects, in all material respects, the assets, liabilities, partners' capital, revenues and expenses on an United States federal income tax basis of each of HWA I, HWA II, HWA III, HWA IV and HWA V as at the respective dates thereof and for the respective periods indicated therein, except as otherwise noted therein.

(b) Other than their interests in the Subsidiaries as set forth in Schedule 3.6(a), there are no assets of any Target or any Subsidiary of a nature required to be reflected on a statement of assets, liabilities and partners' capital prepared on an United States federal income tax basis, other than any such assets (i) set forth on the Financial Statements or the notes thereto, (ii) set forth in the Schedules, (iii) acquired since December 31, 2006, in the ordinary course of business of the Targets and the Subsidiaries, or (iv) that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Notwithstanding anything to the contrary contained herein, it is agreed by the parties that any fixtures, furniture, furnishings, equipment or other personal property (including trade fixtures in, on, around or affixed to the Properties) located or used at either of the Properties and owned by any other Person, including the Thomas Hart Benton murals located in the lobby of the 1290 Property owned by AXA Financial, Inc., are not assets of the Targets or the Subsidiaries.

(c) There are no debts, liabilities or obligations of any Target or any Subsidiary of any nature, accrued or of a contingent nature that would be required to be reflected on a balance sheet prepared in accordance with generally accepted accounting principles in the United States, other than any such debts, liabilities or obligations (i) reflected or reserved against on the Financial Statements or the notes thereto, (ii) set forth in the Schedules (including the Legal Action), (iii) incurred by the Tier 1 Subsidiaries since December 31, 2006, in their ordinary course of business or (iv) for Taxes.

(d) No Target and no Subsidiary, other than the Tier 1 Subsidiaries, is legally obligated for any liabilities of the Hudson Waterfront Partnerships or their Subsidiaries, other than any such liabilities that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(e) Except for cash, cash equivalents, prepaid Taxes and the Equity Interests, the Targets and their Subsidiaries, other than the Tier 1 Subsidiaries, do not own or have any interests in any assets or properties, other than any such interests that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(f) The Sellers, Targets and Subsidiaries (including the Hudson Waterfront Partnerships) have completed in all material respects all development, construction and other obligations required of any of them pursuant to the Extell Purchase Agreement and, except as identified on Schedule 3.7(f), none of them has any remaining or unsatisfied material covenant or material financial obligations pursuant to the Extell Purchase Agreement or any of the other agreements of instruments entered into by any of them in connection with the transactions contemplated in the Extell Purchase Agreement.

Section 3.8 Absence of Certain Changes or Events. Since December 31, 2006, (a) the business of the Targets and the Subsidiaries has been conducted, in all material respects, in the ordinary course of business consistent with past practice, (b) there has not occurred any Material Adverse Effect, (c) no action or circumstance which would be proscribed after the date hereof under Sections 5.1(a), (b), (c), (d), (e), (f), (g), (o) or (p) has been taken or is occurring and (d) except as set forth on Schedule 3.8(d), no Target or Subsidiary has declared or paid any dividend or distribution.

Section 3.9 Compliance with Law; Permits.

(a) To the Knowledge of the Sellers, each Target and each Subsidiary is and has been in compliance with all Laws applicable to it, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. None of the Sellers, Targets or their Subsidiaries has received any written notice of any material violation of law and no action with respect to any violation of law is pending or threatened.

(b) Each Target and each Subsidiary is in possession of all permits, licenses, franchises, approvals, certificates, consents, waivers, concessions, exemptions, orders, registrations, notices or other authorizations of any Governmental Authority necessary for each Target and each Subsidiary to own and operate the Properties and to carry on its business as currently conducted (the "Permits"), except where the failure to have, or the suspension or cancellation of, any of the Permits would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

No representation or warranty is made under this Section 3.9 with respect to ERISA, Taxes, environmental matters or the ADA, which are covered exclusively by Sections 3.11, 3.14, 3.15 and 3.20, respectively.

Section 3.10 Litigation. Except for the Legal Action and except as set forth in Schedule 3.10, as of the date hereof, there is no Action not covered by insurance in favor of the applicable Target or Subsidiary by or against any Target or any Subsidiary or against the owner of the Properties with respect to any of the Properties pending or, to the Knowledge of the Sellers, threatened that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or would affect the legality, validity or enforceability of this Agreement

or any Ancillary Agreement or the consummation of the transactions contemplated hereby or thereby.

Section 3.11 Employee Benefit Plans.

(a) Schedule 3.11(a) sets forth (i) a list of all employee benefit plans (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) and all bonus, stock option, stock purchase, restricted stock, stock appreciation rights, stock-based incentive, bonus, deferred compensation, retiree medical or life insurance, supplemental retirement, severance or other benefit plans, programs or arrangements, that are maintained, contributed to or sponsored by any Target or any Subsidiary for the benefit of any current or former employee, officer or director of any Target or any Subsidiary and (ii) a list of all employment, termination, severance or other contracts, agreements or arrangements, pursuant to which any Target or any Subsidiary has any current or future obligation with respect to any current or former employee, officer or director of any Target or any Subsidiary (collectively, the "Employee Plans"). A true and complete copy of each Employee Plan and all current summary plan descriptions and the most recent determination letter from the IRS with respect to any Employee Plan have been made available to the Buyer by or on behalf of the Sellers.

(b) (i) Each Employee Plan has been maintained in all material respects in accordance with its terms and the requirements of ERISA and the Code, (ii) each Target and each Subsidiary has performed all material obligations required to be performed by it under any Employee Plan and to the Knowledge of the Sellers, is not in any material respect in default under or in violation of any Employee Plan, and (iii) no Action (other than claims for benefits in the ordinary course) is pending or, to the Knowledge of the Sellers, threatened with respect to any Employee Plan by any current or former employee, officer or director of any Target or any Subsidiary.

(c) Each Employee Plan that is intended to be qualified under Section 401(a) of the Code has received a determination or opinion letter from the IRS that it is so qualified and each related trust that is intended to be exempt from federal income taxation under Section 501(a) of the Code has received a determination or opinion letter from the IRS that it is so exempt and, to the Knowledge of the Sellers, no fact or event has occurred since the date of such letter or letters from the IRS that would reasonably be expected adversely to affect the qualified status of any such Employee Plan or the exempt status of any such trust.

(d) None of the Employee Plans is a multiemployer plan (within the meaning of Section 3(37) or 4001(a)(3) of ERISA) or a single employer plan (within the meaning of Section 4001(a)(15) of ERISA) for which any Target or any Subsidiary would reasonably be expected to incur liability under Section 4063 or 4064 of ERISA. No Target or Subsidiary, and no entity which is considered one employer with any Target under Section 4001 of ERISA or Section 414 of the Code (an "ERISA Affiliate") (i) maintains or contributes to or has within the past six years maintained or contributed to a pension plan that is subject to Subtitles C or D of Title IV of ERISA or (ii) maintains or has an obligation to contribute to a multiemployer plan (within the meaning of Section 3(37) of ERISA). All contributions required to be made under each Employee Plan, as of the date hereof, have been timely made and all obligations in respect of each Benefit Plan have been properly accrued and reflected in the Financial Statements. No

Target or Subsidiary has any obligations for retiree health and life benefits under any Employee Plan. Any such plan may be amended or terminated by the Targets or Subsidiaries at any time without incurring any liability thereunder other than in respect of claims incurred prior to such amendment or termination.

(e) There has been no amendment to, announcement by any Target or any Subsidiary relating to, or change in employee participation or coverage under, any Employee Plan which would increase materially the expense of maintaining such plan above the level of the expense incurred therefor for the most recent fiscal year. Neither the approval or the execution of this Agreement nor the approval or consummation of any of the transactions contemplated hereby will, either directly or in combination with any other events, (i) entitle any employees of any Target or any Subsidiary to severance pay or any increase in severance pay upon any termination of employment after the date hereof, (ii) accelerate the time of payment or vesting or result in any payment of funding (through a grantor trust or otherwise) of compensation or benefits under, increase the amount payable or result in any other material obligation pursuant to, any of the Employee Plans, (iii) limit or restrict the right of any Target or Subsidiary, or, after the consummation of the transactions contemplated hereby, the Buyer, to merge, amend or terminate any of the Employee Plans or (iv) result in payments under any of the Employee Plans which would not be deductible under Section 162(m) or Section 280G of the Code.

Section 3.12 Insurance. Schedule 3.12 sets forth a true and complete list of all material insurance policies in force with respect to the Targets and the Subsidiaries (the "Insurance Policies"). Each Insurance Policy is in full force and effect and all premiums due with respect to all Insurance Policies have been paid, with such exceptions that, individually or in the aggregate, are not reasonably likely to have a Material Adverse Effect.

Section 3.13 Condemnation. There are no condemnation or eminent domain proceedings pending or, to the Knowledge of the Sellers, threatened in writing that may result in the taking of any part of any of the Properties.

Section 3.14 Taxes. Except as set forth on Schedule 3.14:

(a) All federal income Tax returns and all other material Tax Returns that are required to be filed on or before the Closing by or with respect to any Target or any Subsidiary have been or will be timely filed on or before the Closing Date, and all such Tax Returns are or will be true, complete and correct in all material respects. All Taxes due and owing by the Targets and the Subsidiaries have been or will be timely paid in full prior to the Closing. The Targets and the Subsidiaries have adequately reserved for all accrued Taxes, even if not yet payable.

(b) (i) No Tax Returns referred to in Section 3.14(a) have been the subject of an audit by the IRS or the appropriate state, local or foreign taxing authority for the period for assessment where the statute of limitations remains open; (ii) all deficiencies asserted or assessments made as a result of any such audits have been paid in full and (iii) no claim has ever been made by an authority in a jurisdiction where any Target or any Subsidiary does not file Tax Returns that the Target or the Subsidiary is or may be subject to taxation by that jurisdiction or

may be subject to taxation by that jurisdiction or should have been included in a consolidated return.

(c) There are no Encumbrances on any of the assets of any Target or any Subsidiary that arose in connection with any failure (or alleged failure) to pay any Tax.

(d) There is no material dispute or claim concerning any Tax liability of any Target or any Subsidiary claimed or raised by any authority in writing.

(e) The Sellers have delivered or made available to the Buyer correct and complete copies of all income Tax Returns and all material non-income Tax Returns, examination reports, and statements of deficiencies assessed against, or agreed to by any Target or any Subsidiary since December 31, 2002.

(f) Each of the Targets and the Subsidiaries has withheld or collected and paid or deposited in accordance with Law all Taxes required to have been withheld or collected and paid or deposited in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, partner or other third party.

(g) None of the Targets or the Subsidiaries has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency, and no such waivers of statutes of limitation or extensions have been requested from any Target or any Subsidiary.

(h) None of the Targets or the Subsidiaries is a party to or is otherwise bound by or has any obligation under any Tax allocation or sharing agreement.

(i) None of the Targets or the Subsidiaries (x) has been a member of an affiliated, combined, consolidated or unitary Tax group for purposes of filing any Tax Return, or (y) has any liability for the Taxes of any Person (other than the Targets and the Subsidiaries) under Reg. §1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise.

(j) None of the Targets or the Subsidiaries will be required, as a result of (i) a change in accounting method for a Tax period beginning on or before the Closing, to include any adjustment under Section 481(c) of the Code (or any similar provision of state, local or foreign law) in taxable income for any Tax period beginning on or after the Closing Date, or (ii) any "closing agreement" as described in Section 7121 of the Code (or any similar provision of state, local or foreign Tax law), to include any item of income in or exclude any item of deduction from any Tax period beginning on or after the Closing.

(k) None of the Targets or the Subsidiaries has engaged in any listed transaction as defined in Treasury Regulations Section 1.6011-4(b) (2).

(l) No Tax is required to be withheld pursuant to Section 1445 of the Code as a result of the transfer contemplated by this Agreement.

(m) Except as disclosed in Schedule 3.14, no Target or Subsidiary has paid any interest to any Person that is a "10 Percent Shareholder" of such Subsidiary within the meaning of Section 871(h)(3)(B) of the Code.

(n) None of the Targets is a resident for tax purposes of any country other than the British Virgin Islands.

(o) No Target has ever been engaged in a trade or business within the United States.

(p) No "check the box election" under Treasury Regulations Section 301.7701-3 has been made at any time for any Target.

(q) No election has been made under Section 897(i) of the Code to treat any of the Targets as a domestic corporation.

(r) No "physical production activity" within the meaning of Treasury Regulations Section 1.263A-12(e)(1) has been performed by any of HWA III, HWA IV or HWA V or any of their Subsidiaries, with respect to the real property exchanged by the Hudson Waterfront Partnerships and their Subsidiaries pursuant to the Extell Purchase Agreement, prior to the date of such exchange.

Section 3.15 Environmental Matters. Except as set forth on Schedule 3.15, to the Knowledge of the Sellers:

(a) No Target or Subsidiary has received any written notice, claim, demand or request for information from a Governmental Authority or other Person alleging or otherwise indicating that any Target, Subsidiary or Property may incur material liability under any Environmental Law or is not or has not been in material compliance with any Environmental Law;

(b) There is no pending, and none of the Sellers, any Target or any Subsidiary has received written notice of any threatened investigation by any Governmental Authority with respect to any of the Properties relating to Hazardous Substances or otherwise relating to any Environmental Law;

(c) Each Target and each Subsidiary and each Property has complied at all times and in all material respects with all Environmental Laws and holds all material Environmental Permits;

(d) No Property has been contaminated with any Hazardous Substance (including soils, groundwater, surface water, buildings or other structures) in a manner that could be expected to require investigation, remediation or other action pursuant to any Environmental Law;

(e) The Targets, the Subsidiaries and the Properties are not subject to any order, decree, injunction or other arrangement with any Governmental Authority or any indemnity or

other agreement with any third party relating to obligations or liability under any Environmental Law;

The Sellers have delivered to the Buyer copies of all material environmental reports, studies, assessments, Environmental Permits, sampling data and other environmental analyses in their possession relating to the Properties or any current operations.

For purposes of this Agreement:

"Environmental Laws" means: any Laws of any Governmental Authority relating to (i) releases or threatened releases of Hazardous Substances or materials containing Hazardous Substances; (ii) the manufacture, handling, transport, use, treatment, storage or disposal of Hazardous Substances or materials containing Hazardous Substances; or (iii) pollution or protection of the environment, health, safety or natural resources.

"Environmental Permits" means all Permits under any Environmental Law.

"Hazardous Substances" means: (i) those substances defined as a pollutant, contaminant or toxic or hazardous substance or waste in, or otherwise or regulated under, the Hazardous Materials Transportation Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Clean Water Act, the Safe Drinking Water Act, the Atomic Energy Act, the Federal Insecticide, Fungicide, and Rodenticide Act and the Clean Air Act, and their state counterparts, as each may be amended from time to time, and all regulations thereunder and (ii) any substance, material or waste regulated by any Governmental Authority pursuant to any Environmental Law.

Section 3.16 Material Contracts.

(a) Schedule 3.16(a) lists each of the following types of Contracts to which any of the Targets or the Subsidiaries is a party or by which any of their assets are bound (such Contracts as described in this Section 3.16(a) being "Material Contracts"):

- (i) all Contracts that provide for or will be reasonably likely to result in payment or receipt by any Target or any Subsidiary of more than \$1,000,000 in any year, including any such Contracts with customers or clients;
- (ii) all Contracts relating to indebtedness for borrowed money;
- (iii) any Contract, as amended, pursuant to which any Target or any Subsidiary leases any portion of any of the Properties to any third party, including any and all amendments, supplements or other modifications thereto (each a "Lease" and collectively, the "Leases"; it is agreed that the term "Lease" does not include any subleases, licenses and occupancy agreements entered into by tenants under the Leases but does include the Subsidiaries' rights under any consent agreement executed in connection

therewith) and any guaranties or indemnities or other collateral agreements in support of any Lease;

(iv) all Contracts that limit or purport to limit the ability of any Target or any Subsidiary to compete in any line of business or with any Person or in any geographic area or during any period of time;

Agreement; (v) the Extell Purchase Agreement, 555 Purchase Agreement and 1290 Purchase

(vi) all management agreements;

(vii) all brokerage arrangements;

(viii) all joint venture, partnership or similar agreements or arrangements with any Person other than another Target or Subsidiary;

(ix) all Contracts with any Seller or Affiliate of any Seller; and

(x) all other Contracts entered by a Target or Subsidiary with any other Person that is a direct or indirect owner of any equity interest in any of the Hudson Waterfront Partnerships (other than the Partnership Agreements).

(b) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, each Material Contract (i) is valid and binding on the applicable Target or the applicable Subsidiary, as the case may be, and, to the Knowledge of the Sellers, the counterparties thereto, and is in full force and effect and (ii) shall continue in full force and effect upon consummation of the transactions contemplated by this Agreement, except to the extent that any consents set forth in Schedule 3.3(a) are not obtained. Except as set forth in Schedule 3.16(b), no Target nor any Subsidiary is in breach of, or default under, any Material Contract to which it is a party, except for such breaches or defaults that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Sellers have delivered to the Buyer true and complete copies of all Material Contracts.

Section 3.17 OFAC List. None of the Sellers is (i) identified in the OFAC List (as hereinafter defined) or (ii) a Person with whom a citizen of the United States is prohibited to engage in transactions by any trade embargo, economic sanction, or other prohibition of United States law, rule, regulation or Executive Order of the President of the United States. The term "OFAC List" shall mean the list of specially designated nationals and blocked persons subject to financial sanctions that is maintained by the United States Treasury Department, Office of Foreign Assets Control and any other similar list maintained by the United States Treasury Department, Office of Foreign Assets Control pursuant to any law, rule, regulation or Executive Order of the President of the United States, including, without limitation, trade embargo, economic sanctions, or other prohibitions imposed by Executive Order of the President of the United States.

Section 3.18 Brokers. Except for CB Richard Ellis, Inc. and Sutton Canyon Capital Corp., the fees of which will be paid by the Buyer pursuant to Section 2.8 hereof, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of any Seller, Target or any Subsidiary or any Affiliate of any of them.

Section 3.19 Rent Roll.

(a) The rent rolls for the Properties provided by the Sellers to the Buyer and attached as Schedule 3.19(a) (the "Rent Rolls") have been prepared in the ordinary course of business by the respective building managers for each of the Properties. The Sellers make no representations or warranties regarding the accuracy or completeness of the Rent Rolls.

(b) The Sellers have provided the Buyer with a true and complete copy of (i) the most recent annual escalation statement for the 555 Property and for the 1290 Property and (ii) the most recent monthly tenant bills for the 1290 Property.

Section 3.20 Americans with Disabilities Act. None of the Targets or the Subsidiaries has received written notice since January 1, 2004 that any Target or Subsidiary is the subject of any pending suit or proceeding alleging that it is not in compliance with the Americans With Disabilities Act (the "ADA") or has received any written notice that any of the Properties is not in compliance with the requirements of the ADA or is subject to any order, settlement, consent, decree or judgment relating to the ADA.

Section 3.21 Tenant Improvement Allowances; Brokerage Commissions. Except as set forth on Schedule 2.6, to the Knowledge of the Sellers, (i) there are no Tenant Improvement Allowances and (ii) there are no Brokerage Commissions, in either case owing, or that will become payable, in respect of any of the Leases executed prior to the date hereof (but excluding amounts due upon any renewals or extensions of such Leases or for any must-take space or option space under such Leases).

Section 3.22 Other Property.

(a) Other than immaterial leases for use in a manner that could not reasonably be expected to expose any such entity to remedial responsibilities or liability pursuant to any Environmental Law, the Targets and Subsidiaries have not owned or leased any real property except for the Properties or the real property exchanged by the Hudson Waterfront Partnerships and their Subsidiaries pursuant to the Extell Purchase Agreement.

(b) The Targets and Subsidiaries do not currently lease any real property or interest therein from any Person.

Section 3.23 Zoning. None of the Sellers or any of the Targets or the Subsidiaries has received any written notice from any Governmental Authority to the effect that any condemnation, taking by power of eminent domain or similar proceeding or rezoning proceeding is pending with respect to any of the Properties.

Section 3.24 No Purchase Rights. No Person has any option to purchase, right of first refusal to purchase or other similar purchase right with respect to any of the Properties.

Section 3.25 Labor Matters. None of the Targets or Subsidiaries is or has been a party to or otherwise bound by any collective bargaining agreement or other Contract with a labor union or labor organization, and, to the Knowledge of the Sellers, there is no organizational effort presently being made or threatened by or on behalf of any labor organization or labor union.

Section 3.26 Exclusivity of Representations and Warranties. Neither the Sellers nor any of their Affiliates or Representatives are making any representation or warranty of any kind or nature whatsoever, oral or written, express or implied (including, but not limited to, any relating to financial condition, results of operations, assets or liabilities of the Targets and the Subsidiaries), except as expressly set forth in this Agreement, including the Schedules and the Sellers hereby disclaim any such other representations or warranties.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer hereby represents and warrants to the Sellers as follows:

Section 4.1 Organization and Qualification. The Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of Delaware and has all necessary limited liability company power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted. The Buyer is duly qualified or licensed to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except, in each case, for any such failures that would not, individually or in the aggregate, reasonably be expected to have a Buyer Material Adverse Effect.

Section 4.2 Authority. The Buyer has full limited liability company power and authority to execute and deliver this Agreement and each of the Ancillary Agreements to which it is or will be a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by the Buyer of this Agreement and each of the Ancillary Agreements to which it is or will be a party and the consummation by the Buyer of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action. This Agreement

has been, and upon their execution each of the Ancillary Agreements to which the Buyer is or will be a party will have been, duly and validly executed and delivered by the Buyer. This Agreement constitutes, and upon their execution each of the Ancillary Agreements to which the Buyer is or will be a party will constitute, the legal, valid and binding obligations of the Buyer, enforceable against the Buyer in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether considered in a proceeding in equity or at law).

Section 4.3 No Conflict; Required Filings and Consents.

(a) The execution, delivery and performance by the Buyer of this Agreement and each of the Ancillary Agreements to which the Buyer is or will be a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not:

- (i) conflict with or violate the organizational documents of the Buyer;
- (ii) conflict with or violate any Law applicable to the Buyer or by which any property or asset of the Buyer is bound or affected; or
- (iii) conflict with, result in any breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) under, require any consent of any Person pursuant to, or give to others any rights of termination, acceleration or cancellation of, any material contract or agreement to which the Buyer is a party;

except, in the case of clause (ii) or (iii), for any such conflicts, violations, breaches, defaults or other occurrences that would not, individually or in the aggregate, reasonably be expected to have a Buyer Material Adverse Effect.

(b) The Buyer is not required to file, seek or obtain any notice, authorization, approval, order, permit or consent of or with any Governmental Authority in connection with the execution, delivery and performance by the Buyer of this Agreement and each of the Ancillary Agreements to which it will be party or the consummation of the transactions contemplated hereby or thereby or in order to prevent the termination of any right, privilege, license or qualification of the Buyer, except for (i) such filings as may be required by any applicable federal or state securities or "blue sky" laws, (ii) where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not, individually or in the aggregate, reasonably be expected to have a Buyer Material Adverse Effect.

Section 4.4 Financing. The Buyer has access to sufficient funds to permit the Buyer to consummate the transactions contemplated by this Agreement and the Ancillary Agreements. Notwithstanding anything to the contrary contained herein, the parties acknowledge and agree that it shall not be a condition to the obligations of the Buyer to consummate the transactions contemplated hereby that the Buyer have sufficient funds for payment of the Purchase Price.

Section 4.5 Brokers. Except for Sutton Canyon Capital Corp. and CB Richard Ellis, Inc., the fees of which will be paid by the Buyer, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of the Buyer.

Section 4.6 Investment Intent. The Buyer is acquiring the Shares for its own account for investment purposes only and not with a view to any public distribution thereof or with any intention of selling, distributing or otherwise disposing of the Shares in a manner that would violate the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). The Buyer agrees that the Shares may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without registration under the Securities Act and any

applicable state securities laws, except pursuant to an exemption from such registration under the Securities Act and such laws. The Buyer is able to bear the economic risk of holding the Shares for an indefinite period (including total loss of its investment), and (either alone or together with its Representatives) has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risk of its investment.

Section 4.7 Condition of the Targets, the Subsidiaries and the Properties; Representations and Warranties of the Sellers.

(a) The Buyer is a sophisticated purchaser and has made its own independent investigation and analysis, basing its valuation of, and decision to purchase, the Shares and to enter into the transactions contemplated by this Agreement and the Ancillary Agreements to which it is a party upon such investigation and analysis. This investigation and analysis was conducted by the Buyer together with its expert advisors and other Representatives that it has engaged for such purpose. The Buyer and its Representatives have been provided with access to the Properties and to other information that they have requested in connection with such investigation and analysis. The Buyer is not relying on any statement, representation or warranty, oral or written, express or implied, made by any of the Sellers, the Targets or the Subsidiaries or any of their Affiliates or Representatives, except as expressly set forth in this Agreement, including the Schedules and the Ancillary Agreements. The Buyer acknowledges that, except as specifically provided in this Agreement or any of the Ancillary Agreements, should the Closing occur, the Buyer shall acquire the Targets without any representation or warranty as to merchantability or fitness for any particular purpose of their respective assets, including the Subsidiaries and the Properties and the Buyer has not relied upon any oral or written information from, including without limitation, any estimates, projections or forecasts prepared by, any of the Sellers, the Targets or any of their Affiliates or Representatives or any employees, agents, consultants, advisors or representatives of the foregoing. The Buyer acknowledges that there are inherent uncertainties in attempting to make such estimates, projections and forecasts and that it takes full responsibility for making its own evaluation of the adequacy and accuracy of any such estimates, projections or forecasts (including the reasonableness of the assumptions underlying any such estimates, projections and forecasts). Without limiting the generality of the foregoing, the Buyer acknowledges and agrees that except as may be expressly set forth in this Agreement or any Ancillary Agreements, the Buyer is acquiring the assets of the Targets, including the Subsidiaries and the Properties, "AS IS" and "WHERE IS" on the Closing Date and, except as expressly set forth in this Agreement, the Sellers are not making any representation or warranty, express or implied, and the Buyer has not

relied on any representation or warranty, express or implied, regarding the Targets or their assets, including the Subsidiaries and the Properties, including, without limitation, any representation or warranty with respect to (i) the business or financial condition of any tenant of any Property, (ii) the physical condition of any improvement or any other property comprising all or a part of any Property or any other portion of the Property, or its fitness, merchantability or suitability for any use or purpose, (iii) the Leases, rents, income or expenses of any Property or any other portion of the Property or (iv) the current or future use of any Property or any other portion of the Property, including, but not limited to, use for commercial retail, industrial, residential or other purposes. Sellers are not liable or bound in any manner by any verbal or written statements, representations, real estate brokers' "set-ups", offering memoranda or information pertaining to the Properties furnished by any real estate broker, advisor, consultant, agent, employee, representative or other Person.

(b) Neither the Sellers nor any Target or Subsidiary represent or warrant that any particular Lease or tenancy will be in force or effect at the Closing or that the tenants will have performed their obligations thereunder. The termination of any Lease or tenancy in accordance with Section 5.1(i) prior to Closing by reason of the tenant's default shall not affect the obligations of the Buyer under this Agreement in any manner or entitle the Buyer to an abatement or credit against the Purchase Price or give rise to any other claim by the Buyer.

(c) In addition to, and not by way of limitation of Sections 3.9 and 4.7(a), but subject to the other provisions of this Agreement, including Section 8.3(a), the Buyer acknowledges that, upon the Closing, it shall purchase interests in the Properties subject to all violations of law, notes or notices of violations of law or governmental ordinances, orders or requirements noted in or issued by the New York City Department of Housing and Buildings, Fire, Labor, Health, Air Resource, Emergency Repair, Highway and the equivalent agencies in the City of San Francisco or any other municipal department, agency or bureau having jurisdiction related to the Properties that are not Monetary New Title Matters. Without limiting the generality of the foregoing, except as set forth in Sections 5.1 and 5.16 of this Agreement, none of the Sellers, the Targets, the Subsidiaries or any of their Affiliates or Representatives or any employees, agents, consultants, advisors or representatives of the foregoing shall be required to remove or comply with any violations, notes, notices, orders, requirements or liens which (i) arise in connection with New York City Local Law 5/73, 10/80, 10/81, 62/81, 16/84, 80/85, 76/85 and 58 and equivalent or similar municipal laws and ordinances of the City of San Francisco or (ii) a tenant is required to remove or comply with pursuant to the terms of its Lease, and such violations, notes, notices, orders, requirements or liens shall not be deemed to be an objection to title. Notwithstanding the foregoing provisions of this paragraph (c), if any of the matters described in this paragraph (c) have, as of the Closing Date, been liquidated to a monetary fine or penalty, then to the extent not previously paid such matters are "Other Liabilities" and the Sellers shall bear such amount in accordance with Sections 2.6 and 2.7 hereof.

ARTICLE V COVENANTS

Section 5.1 Conduct of Business Prior to the Closing. Except as provided in this Agreement, between the date hereof and the Closing, unless the Buyer shall otherwise agree in

writing, the Sellers shall cause the business of the Targets and the Subsidiaries to be conducted only in the ordinary course of business in all material respects and shall use their commercially reasonable efforts to preserve intact in all material respects the business of the Targets and the Subsidiaries and the relationships of the Targets and the Subsidiaries with their respective lessees, suppliers, creditors and employees. Except as expressly provided in this Agreement, between the date hereof and the Closing, without the prior consent of the Buyer (which consent shall not be unreasonably withheld or delayed), the Sellers shall cause each Target and Subsidiary not to and shall not permit any Target or Subsidiary to, and no Target or Subsidiary will:

(a) amend or otherwise change its certificate of incorporation, certificate of formation or certificate of limited partnership or its bylaws, limited liability company agreement or limited partnership agreement or equivalent organizational documents;

(b) issue or sell equity securities, capital stock or equity interests of any Target or Subsidiary, or any options, warrants, convertible securities or other rights of any kind to acquire any such equity securities, capital stock or other equity interests;

(c) declare, set aside, make or pay any dividend or other distribution, payable in cash, securities, property or otherwise, or make any other payment on or with respect to any of its equity securities, except for dividends or distributions made to a Target or to a Subsidiary;

(d) reclassify, combine, split, subdivide or redeem, or purchase or otherwise acquire, directly or indirectly, any equity securities, capital stock or equity interests or make any other change with respect to its capital structure;

(e) (i) acquire or otherwise become the owner of any corporation, partnership, limited liability company, other Person or division thereof or (ii) acquire or otherwise become the owner of any other assets, other than (A) assets acquired in the ordinary course of business in an amount for all assets covered by this clause (A) not in excess of \$1,000,000 in the aggregate, and (B) assets acquired pursuant to paragraph (j) of this Section 5.1;

(f) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation or recapitalization of any Target or Subsidiary;

(g) incur any indebtedness for borrowed money, other than (i) indebtedness of the Hudson Waterfront Partnerships or their Subsidiaries owed to any other Hudson Waterfront Partnership or Subsidiary thereof and (ii) indebtedness of any Target or Subsidiary wholly-owned by a Target owed to any Target or Subsidiary wholly-owned by a Target, or issue any debt securities;

(h) amend, revise, renew or terminate any Material Contract (other than the Leases, which are the subject of paragraph (i) below), except in the ordinary course of business consistent with past practice, or increase any existing obligations in any material respect or enter into any Contract that would be a Material Contract if entered into prior to the date hereof, other than any such Contracts entered into in the ordinary course of business (including Contracts with customers, vendors or clients);

(i) (1) amend or modify any Lease or any related document or terminate or accept or consent to the surrender or assignment of any Lease, in each case without the Buyer's written consent, which consent shall not be unreasonably withheld or delayed; provided, however, that the Targets and Subsidiaries shall have the right, without the Buyer's consent, to enter into any modification or amendment of any Lease to the extent required of the landlord pursuant to the terms of any Lease or required by Law or that is entered into to effectuate or memorialize the exercise of any right, remedy or option exercisable by the Tenant 'as of right' pursuant to the terms of any Lease or pursuant to any Law; (2) apply any security being held under any Lease (unless and until the Lease has terminated and the tenant under the Lease has vacated the premises demised thereby); or (3) enter into any new lease or renew or extend any Lease in existence as of the date hereof or entered into as permitted herein without the Buyer's prior written consent, which consent shall not be unreasonably withheld or delayed (and upon effectiveness, any new lease approved by the Buyer as provided herein shall thereafter be deemed a Lease for purposes of this Agreement); provided, however, that the Targets and Subsidiaries shall have the right without the Buyer's consent to renew or extend any Lease as necessary to reflect the exercise by the tenant of any "as of right" renewal or extension under the terms of such Lease;

(j) authorize, or make any commitment with respect to any capital expenditures, to the extent the commitments that will remain outstanding following the Closing could reasonably be expected to exceed \$500,000 for any single expenditure or \$5,000,000 in the aggregate for all such capital expenditures, other than those capital expenditures (i) at any of the Properties if and to the extent reflected but not yet paid in the 2006 and 2007 capital budgets for that Property attached as Schedule 5.1(j), (ii) required of the landlord pursuant to the applicable Lease or (iii) determined by the Sellers to be necessary to address an emergency arising at the relevant Property;

(k) cancel or otherwise fail to maintain or cause to be maintained all material policies of insurance currently in effect with respect to each of the Properties, which policies (or comparable replacements thereof) shall not be changed as to coverage terms or amounts (including limits and deductibles) in any material respect from the terms of the Insurance Policies;

(l) create, or authorize any Person to create, any Encumbrance other than a Permitted Encumbrance against the Properties other than Encumbrances existing on the date hereof;

(m) (i) grant or announce any increase in the salaries, bonuses, severance or other benefits payable by any Target or Subsidiary to any of their employees or (ii) terminate, establish, adopt, enter into, amend or otherwise modify any equity incentive compensation or employee benefit plan or any employment, severance, change in control or similar Contract with any employee, director, officer or consultant, other than, in either case, as required by Law or pursuant to any written plans, programs or agreements existing on the date hereof;

(n) initiate or settle any litigation or other claim or Action involving any of the Targets or Subsidiaries or Properties (including the Legal Action), provided, however, that the Sellers may settle litigation against a Target or Subsidiary arising in the ordinary course of

business so long as the amount of the claim is not material in the context of the Property to which it relates, the settlement involves only the payment of money and does not result in any admission of guilt or involve the imposition of any limitation or restriction upon any Target or Subsidiary and the settlement is fully covered by insurance (other than any deductible amount related thereto) in favor of the relevant Target or Subsidiary;

(o) make any material changes in its accounting methods, policies, procedures, principles or practices;

(p) change any method of Tax accounting;

(q) intentionally take, or intentionally cause or authorize any Subsidiary or other Person to take, any action that constitutes or reasonably could be expected to result in an Event of Default (as such term is defined in the applicable Debt Agreement); or

(r) agree or commit to do any of the foregoing.

Notwithstanding anything to the contrary contained herein, nothing in this Section 5.1 shall be deemed to require any of the general partners of the respective Hudson Waterfront Partnerships to take any action or fail to take any action with respect to the conduct of the business of the Hudson Waterfront Partnerships in contravention of (i) the duties of the general partners under the applicable Partnership Agreements, (ii) the Debt Agreements and the other loan documents related thereto or (iii) applicable Law.

Section 5.2 Dissolution of HWA II.

(a) At or prior to the Closing, the Sellers shall cause the dissolution of HWA II pursuant to Section 17.1 of the HWA II Partnership Agreement.

(b) Prior to the dissolution of HWA II, the assets of HWA II shall be liquidated and the proceeds thereof shall be distributed to the partners of HWA II in accordance with Section 17.2(a) of the HWA II Partnership Agreement, other than the following assets, which shall be distributed in kind as follows:

(i) interests in the Mortgage Note in the principal amount of \$140,000,000, dated November 3, 2005, by CRP/Extell Parcel N, L.P. ("Extell") in favor of LaSalle Bank, as trustee for the benefit of HWA V, and payable to HWA II pursuant to the Allonge, dated April 26, 2006 (the "HWA Extell Note"), shall be distributed to Hudson Westside Associates II, L.P. (the "Westside II Partnership"), which shall distribute the interests in the HWA Extell Note to the entities identified in Schedule 5.2(b)(i);

(ii) the Mortgage Note in the principal amount of \$60,000,000, dated as of November 3, 2005, by Extell in favor of LaSalle Bank, as trustee for the benefit of HWA V, and payable to HWA II pursuant to the Allonge, dated April 26, 2006, shall be distributed to Trump or his designee; and

(iii) the intercompany notes in the principal amount of up to \$250,000,000, dated as of April 1, 2005, by HWA I in favor of HWA II (the "Original Intercompany Notes") shall be canceled and reissued as follows:

(A) 11 or more promissory notes by HWA I, HWA III, HWA IV and HWA V with an aggregate principal amount equal to 70% of the aggregate principal amount of the Original Intercompany Notes in favor of HWA II in the principal amounts set forth in Schedule 5.2(b)(iv) (collectively, the "Partnership Intercompany Notes"), which shall be distributed to the Westside II Partnership which shall distribute the Partnership Intercompany Notes to its beneficial owners as set forth in Schedule 5.2(b)(iv);

(B) upon receipt by the Westside II Partnership of the Partnership Intercompany Notes, the Westside II Partnership shall distribute the Partnership Intercompany Notes to the entities identified on Schedule 5.2(b)(i);

(C) promissory notes with an aggregate principal amount equal to 30% of the aggregate principal amount of the Original Intercompany Notes, by HWA I, HWA III, HWA IV and HWA V in favor of Trump (the "Trump Intercompany Notes"), and the Trump Intercompany Notes shall be distributed to Trump.

(c) The Sellers shall provide the Buyer with reasonable opportunity to review and comment upon the documentation required to consummate the transactions contemplated by this Section 5.2 and Section 5.3, and the Sellers shall consider such comments in good faith before proceeding with any such transactions.

Section 5.3

Distributions.

(a) Following the receipt by the entities identified in Schedule 5.2(b)(i) of the interests in the HWA Extell Note and the Partnership Intercompany Notes, at or prior to the Closing, each Target shall distribute, or cause to be distributed, its respective interest in the entities identified in Schedule 5.3(a) to such Target's parent-Seller, after which the entities identified in Schedule 5.2(b)(i) shall distribute the Partnership Intercompany Notes to their respective parent-Sellers as part of the liquidation for federal income tax purposes of the entities listed on Schedule 5.3(a), which liquidation may occur as a result of such entity's actual or deemed (by reason of a conversion into a limited liability company) liquidation once such entity is owned by its respective parent-Seller. It is agreed that the Buyer shall acquire no interest in the entities identified in Schedule 5.3(a) and the HWA Extell Note and that the Partnership Intercompany Notes shall be sold to the Buyer as set forth herein.

(b) Prior to the Closing Date, (i) all Subsidiaries that have borrowed from Lenten Lily Limited shall repay all principal and accrued interest (less withholding Tax of 30%) owed to Lenten Lily Limited, and shall furnish the Buyer upon request with evidence that all such withholding Taxes have been paid over; (ii) Lenten Lily Limited shall elect to be treated as a disregarded entity for United States federal income tax purposes under Treasury Regulations

Section 301.7701-3 and shall thereafter transfer its entire interest in the entities identified in Schedule 5.3(b) to its parent corporation, Lokeren Co. Ltd.; after which (iii) Lokeren Co. Ltd. shall distribute (A) any other assets of Lenten Lily Limited that it receives as a distribution from Lenten Lily Limited and (B) the shares of Lenten Lily Limited to the parent-Seller of Lokeren Co. Ltd.

Section 5.4 Covenants Regarding Information.

(a) From the date hereof until the Closing Date, upon reasonable notice, the Sellers shall, and shall cause the Targets and the Subsidiaries to, afford the Buyer and its Representatives reasonable access to the Representatives of each Seller and of each Target and Subsidiary, including, but not limited to, the Targets' registered agents in the British Virgin Islands, properties, offices, plants and other facilities, books and records (including any Tax Returns) of the Targets and the Subsidiaries, and shall cause the Targets and the Subsidiaries to furnish the Buyer with such financial, operating and other data and information as the Buyer may reasonably request; provided, however, that any such access or furnishing of information shall be conducted at the Buyer's expense, during normal business hours, under the supervision of the Sellers or their designee and in such a manner as not to interfere unreasonably with the normal operations of the Targets and the Subsidiaries. Notwithstanding anything to the contrary in this Agreement, neither the Targets nor any Subsidiary shall be required to disclose any information to the Buyer or its Representatives if such disclosure would, in the Sellers' reasonable judgment, after consultation with legal counsel, (i) jeopardize any attorney-client, work product or other legal privilege or (ii) contravene any applicable Laws, fiduciary duty or binding agreement entered into prior to the date hereof. On or prior to the Closing, the Sellers shall, and shall cause their respective Representatives to, deliver to the Buyer originals (or, if originals are not available, copies) of all books and records relating to the ownership or operation of the Targets and Subsidiaries within such parties' possession, other than any materials (i) located in the offices of HWA 1290 Management Member, LLC and any offices of the managers of the Properties, (ii) in the possession of PricewaterhouseCoopers LLP, or (iii) in the possession of the Targets' registered agents in the British Virgin Islands.

(b) In order to facilitate the resolution of any claims made against or incurred by the Sellers (as it relates to the Targets and the Subsidiaries), for a period of seven years after the Closing or, if shorter, the applicable period specified in the Buyer's document retention policy, the Buyer shall (i) retain the books and records relating to the Targets and the Subsidiaries relating to periods prior to the Closing and (ii) afford the Representatives of the Sellers reasonable access (including the right to make, at the Sellers' expense, photocopies), during normal business hours, to such books and records; provided, however, that the Buyer shall notify the Sellers in writing at least 30 days in advance of destroying any such books and records in order to provide the Sellers the opportunity to copy (or obtain the originals of) such books and records in accordance with this Section 5.4(b).

Section 5.5 Notification of Certain Matters. Until the Closing, each party hereto shall promptly notify the other party in writing of any fact, change, condition, circumstance or occurrence or nonoccurrence of any event of which it is aware that will or is reasonably likely to result in any of the other party's conditions set forth in Article VIII of this Agreement becoming incapable of being satisfied.

Section 5.6 Resignations. The Sellers will deliver at the Closing the resignation of all of the directors, managers, general partners and officers of the Targets and the Subsidiaries, effective as of the Closing, except for such directors, managers, general partners or officers that the Buyer specifies in writing to the Sellers prior to the Closing Date.

Section 5.7 Confidentiality. For a period of six years from the Closing, each Seller shall and shall cause its Affiliates and Representatives to keep confidential all information, knowledge and data of or relating to the Targets and the Subsidiaries and shall not provide such information to any Person without the consent of the Buyer; provided, however, that the Sellers may disclose such information, knowledge and data to the extent required or requested pursuant to the rules and regulations of any applicable stock exchange, any proceedings before or Order by any Governmental Authority or subpoena, deposition, interrogatory, civil investigative demand or other applicable Law.

Section 5.8 Consents and Filings; Further Assurances.

(a) The Sellers agree to provide the Buyer with any cooperation reasonably requested by the Buyer in connection with obtaining the Debt Consents and Non-Consolidation Opinion set forth in paragraphs (b) and (c), below.

(b) The Buyer shall use its commercially reasonable efforts to obtain the Debt Consents. Without limiting the generality of the foregoing, promptly following the date hereof, the Buyer shall submit a written request for the Debt Consents to the applicable lenders in accordance with the terms of the 555 Mezzanine Debt Agreements and the 555 Senior Debt Agreement. In addition, the Buyer shall (i) use commercially reasonable efforts to promptly respond to any subsequent requests of, and supply any information reasonably requested by, the lenders and (ii) pay any and all fees and expenses as set forth in the 555 Mezzanine Debt Agreements and the 555 Senior Debt Agreement. As used in this paragraph (b), the phrase "commercially reasonable efforts" will not be interpreted as requiring the Sellers or the Buyer to prepay any principal or to agree to supplement or otherwise modify in any material respect any terms of the underlying indebtedness in a manner adverse to the Buyer or any Target or Subsidiary, or to bring any lawsuit or incur any other material expense (other than customary legal and administrative costs associated with such actions).

(c) The Buyer shall use its best efforts to deliver to the Lender (as defined therein) under the 1290 Senior Debt Agreement a non-consolidation opinion in form acceptable to the Lender and the Ratings Agencies (as defined in the 1290 Senior Debt Agreement) (the "Non-Consolidation Opinion") in connection with the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements; provided, however, that as used in this paragraph (c), the phrase "best efforts" shall not be interpreted to require the Buyer to alter the manner in which it acquires the Shares or to prepay principal or to agree to supplement or otherwise modify the terms of the Debt or to bring any Action.

(d) Prior to the Closing, each of the parties shall promptly notify the other party of any communication it or any of its Affiliates receives from any Governmental Authority relating to the Properties or the matters that are the subject of this Agreement and permit the other party to review in advance any proposed communication by such party to any

Governmental Authority in response thereto. Prior to the Closing, neither party to this Agreement shall agree to participate in any meeting with any Governmental Authority in respect of any filings, investigation or other inquiry relating to any of the Properties, the Targets, the Subsidiaries or the matters that are the subject of this Agreement unless it consults with the other party in advance and, to the extent permitted by such Governmental Authority, gives the other party the opportunity to attend and participate at such meeting. Subject to the Confidentiality Agreements, the parties will coordinate and cooperate fully with each other in exchanging such information and providing such assistance as the other party may reasonably request in connection with the foregoing. Prior to the Closing and subject to the Confidentiality Agreements, the parties will provide each other with copies of all correspondence, filings or communications between them or any of their Representatives, on the one hand, and any Governmental Authority or members of its staff, on the other hand, with respect to this Agreement and the transactions contemplated hereby.

(e) Certain consents and waivers with respect to the transactions contemplated by this Agreement may be required from parties to contracts to which any Target or Subsidiary is a party that have not been and may not be obtained. Except as otherwise provided in this Agreement (including Sections 8.3 and 9.2), the Sellers and their Affiliates shall have no liability to the Buyer arising out of or relating to the failure to obtain any consents or waivers that may be required in connection with the transactions contemplated by this Agreement or because of the termination of any contract as a result thereof.

Section 5.9 Public Announcements. The Sellers and the Buyer shall consult with each other before issuing, and provide each other the opportunity to review and comment upon, any press release or other public statement with respect to the transactions contemplated hereby, and shall not issue any such press release or make any such public statement prior to such consultation unless the requirements of any Governmental Authority makes providing such prior consultation and review impracticable.

Section 5.10 Directors' and Officers' Indemnification. For a period of six years following the Closing, the Buyer agrees that it will continue to cause each Target and Subsidiary to indemnify and hold harmless each present and former director, officer, employee and manager (each a "Covered Person") of such Target or Subsidiary against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or pertaining to matters existing or occurring at or prior to the Closing, whether asserted or claimed prior to, on or after the Closing, to the fullest extent that such Target or Subsidiary is permitted under the Laws of its applicable jurisdiction of organization and required pursuant to its certificate of incorporation, certificate of formation, certificate of limited partnership, bylaws, limited liability company agreement, limited partnership agreement or other organizational documents in effect on the date hereof to indemnify such Covered Person (including the advancing of expenses as incurred to the fullest extent permitted under applicable Law); provided, however, that such Covered Person must provide an undertaking to such Target or Subsidiary (as appropriate) to repay such advances if it is ultimately determined by a court of competent jurisdiction (which determination shall have become final) that such Covered Person is not entitled to indemnification; and provided further, however, that, to the fullest extent permitted: (i) the Buyer or such Target or Subsidiary shall

have the right to assume the defense thereof, and neither the Buyer nor any Target or Subsidiary shall be liable to any such Covered Person for any legal expenses of other counsel or any other expenses subsequently incurred by such Covered Person in connection with the defense thereof, except that if the Buyer or such Target or Subsidiary elects not to assume such defense or counsel for such Covered Person advises that there are issues which raise conflicts of interest between the Buyer or such Target or Subsidiary and such Covered Person, such Covered Person may retain counsel satisfactory to it, and the Buyer or such Target or Subsidiary shall pay all reasonable fees and expenses of such counsel for such Covered Person promptly as statements therefor are received; provided, however, that whether or not the Buyer or such Target or Subsidiary assumes the defense of a Covered Person, the Buyer or such Target or Subsidiary shall not admit any liability with respect to, or settle, compromise or discharge, or offer to settle, compromise or discharge, such claim without such Covered Person's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed, unless such settlement or compromise includes as one of its terms the complete release of the Covered Person without any admission of guilt; and provided further, however, that the Buyer and such Target or Subsidiary shall be obligated pursuant to this Section 5.10 to pay for only one firm or counsel for all Covered Persons in any jurisdiction unless the use of one counsel for such Covered Persons would present such counsel with a conflict of interest, provided that the fewest number of counsel necessary to avoid conflicts of interest shall be used; (ii) such Covered Persons will reasonably cooperate in the defense of any such matter; and (iii) none of the Buyer or any Target or Subsidiary shall be liable for any settlement effected without the prior written consent of the Buyer or such Target or Subsidiary, as applicable. For the avoidance of doubt, nothing in this Section 5.10 shall supersede or modify the Indemnification Agreement or in any way affect the parties' obligations pursuant to the Indemnification Agreement.

Section 5.11 Release. Effective as of the Closing Date and except as otherwise provided by Section 5.10 and except as set forth in the Indemnification Agreement, the Sellers do hereby, on behalf of themselves and each of their respective Affiliates, successors and assigns, release and forever discharge each of the Targets, the Subsidiaries, their Affiliates and their respective successors and assigns, and all Persons who at any time prior to the Closing Date have been stockholders, directors, officers or employees of any Target or any of the Subsidiaries (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed at or before the Closing Date, including in connection with the transactions and all other activities contemplated by this Agreement.

Section 5.12 Legal Action. From the date hereof and continuing through Closing, the Sellers shall, and shall cause their respective Affiliates to, provide the Buyer with copies of all pleadings, Orders, requests for information or meetings, correspondence and other similar materials received or sent by them relating to the Legal Action or any related proceedings, Actions or claims promptly upon receipt or delivery thereof, as applicable. In addition, the Sellers agree to provide the Buyer with notice of any actual or proposed hearing or other proceeding relating to the Legal Action or any related proceedings, Actions or claims promptly upon receipt or prior to delivery by any of the Sellers, any Target or any Subsidiary of notice

thereof. At least 24 hours prior to submission, the Sellers shall provide the Buyer with the right to review and to consult with the Sellers, the Targets, the Subsidiaries and their counsel on any pleadings or other submissions relating to the Legal Action or other related proceeding, Action or claim, unless the same involves an emergency filing, in which case the Sellers shall provide the Buyer the right to review and to consult at least 12 hours prior to submission. If counsel for the Buyer objects to any such filing or other submission, the parties and their respective counsel shall confer in good faith in an effort to reach agreement on such filing or other submission, and the Sellers shall not submit, or permit the submission of, any such filing or other submission without the Buyer's prior approval, which will not be unreasonably withheld or delayed. The Sellers also agree to apprise the Buyer on the status of the Legal Action and any related proceedings, Actions or claims as and when requested and promptly upon the Sellers' becoming aware of any material development therein.

Section 5.13 Estoppel Certificates. Within 10 Business Days after the date hereof, the Sellers shall cause the Subsidiary that owns the relevant Property to prepare and deliver to each of the tenants at that Property (with a blind copy to the Buyer concurrently therewith), an estoppel certificate in the applicable form attached hereto as Exhibit 5.13, in each case completed to reflect the terms of such tenant's lease and related tenancy (each, an "Estoppel Certificate"). Subject to the next sentence, the Sellers shall (i) direct the building manager for the relevant Property to attempt to obtain a completed and original countersigned Estoppel Certificate from each such tenant; and (ii) deliver to the Buyer a copy of each completed and countersigned Estoppel Certificate and any other response or related correspondence from each such tenant (any such Estoppel Certificates and information contained therein received by the Buyer shall be deemed to be Information (as defined in the Confidentiality Agreements)). The parties understand and agree that receipt of completed Estoppel Certificates from the above-referenced tenants is not a condition precedent to any of the Buyer's obligations as set forth in this Agreement. The Buyer shall not contact any of the tenants of the Properties with respect to their Leases or the transactions contemplated herein prior to the Closing without the prior written consent of the Sellers, which consent may be withheld in the Sellers' sole discretion. Except as provided in this Section 5.13, the Sellers shall have no other obligations hereunder or under any Ancillary Agreements with respect to estoppel certificates.

Section 5.14 Personal Property. The Sellers shall not, and shall cause the Targets and Subsidiaries not to, remove any personal property from the Properties.

Section 5.15 Other Transfers of Condominiums. The Sellers shall use their commercially reasonable efforts to complete the sales of the Condominiums on or prior to March 31, 2007. If HWA I or HWA II continue to own any of the Condominiums on March 30, 2007, the Sellers shall cause HWA I and HWA II to sell their interests in the Condominiums to HWA III on March 31, 2007 for an amount equal to 95% of the contract price for such Condominiums as of the date hereof. Any gain realized upon the sale of any interests in the Condominiums shall be recognized in the tax year ending March 31, 2007, and any unpaid income tax liabilities associated with such gain shall constitute "Other Liabilities" and shall be borne by the Sellers in accordance with Sections 2.6 and 2.7 hereof.

Section 5.16 Elimination of New Title Matters.

(a) The Sellers shall cause the Targets and Subsidiaries to satisfy, cure or otherwise cause the elimination of any Voluntary Title Matters prior to the Closing.

(b) Either (i) the Sellers shall cause the Targets and Subsidiaries to satisfy, cure or otherwise cause the elimination of any Monetary New Title Matters prior to the Closing or (ii) elect to treat such Monetary New Title Matters as "Other Liabilities" (pursuant to clause (vi) of that definition) to be borne by the Sellers in accordance with Sections 2.6 and 2.7 hereof; provided, however, that if the aggregate amount of all Monetary New Title Matters (but specifically excluding for purposes of this subparagraph any Voluntary Title Matters, which are addressed in clause (a) above and which shall not be considered when determining the dollar amounts set forth in this paragraph 5.16(b)) exceeds \$15,000,000 (such excess amount, the "Excess Amount"), the Sellers shall have the option, but shall have no obligation, to cause the Targets and Subsidiaries to satisfy, cure or otherwise cause the elimination of, or elect to treat as an "Other Liability," such Excess Amount. If the Sellers are not willing to cause the removal of, or elect to treat as an "Other Liability," the Excess Amount, then the Sellers shall give written notice of the same to the Buyer promptly upon the Sellers first becoming aware of the Excess Amount (which notice will state the Sellers' unwillingness to remove, or to treat as an "Other Liability," the Excess Amount prior to the Closing, it being understood that (x) the Sellers will not be required to remove, or elect to treat as an "Other Liability," any Excess Amount unless the Sellers separately undertake to do so in their discretion, and also that (y) in any event the Sellers will, in every instance, be responsible for causing the removal of all Voluntary Title Matters). If the Sellers are not willing to remove, or elect to treat as an "Other Liability," the Excess Amount, the Buyer shall have the right, in the Buyer's discretion, either to (1) waive the Excess Amount and proceed to Closing (in which case the Sellers will only be required to remove or treat as an "Other Liability" the first \$15,000,000 of Monetary New Title Matters, and to remove such portion of the Excess Amount as the Sellers, and the Buyer shall agree) or (2) terminate this Agreement. The Buyer shall exercise its right to elect either clause (1) or (2) of the foregoing sentence by providing written notice of such election to the Sellers within the earlier of 20 days after receipt of notice from the Sellers as set forth above or the then-scheduled Closing Date.

Section 5.17 Preparation of Financial Statements. The Sellers agree that they will assist the Buyer, at the Buyer's expense, to produce financial statements for the Properties satisfying the requirements of Regulation S-X promulgated under the U.S. securities laws as and when needed to satisfy the Buyer's public reporting obligations in connection with the transactions contemplated hereby, and permit the Buyer's independent registered public accounting firm access to the books and records of the Targets and the Subsidiaries for the purpose of conducting an audit of such financial statements. The Sellers agree to use commercially reasonable efforts to cause the Targets and Subsidiaries to give the Buyer and its accountants access to such of its books and records relating to the Targets, Subsidiaries and Properties and to direct their internal and external property management personnel to cooperate with the Buyer and its accountants, in each case to the extent necessary to enable the Buyer and the accountants to produce and, where applicable, audit financial statements for the Properties. Notwithstanding anything to the contrary contained in this Section 5.17, the Buyer acknowledges that the Sellers and the general partners of the Hudson Waterfront Partnerships have limited resources and are engaged in the preparation of the audited financial statements for the Properties for the 2006 fiscal year as required by the Debt Agreements. Accordingly, the Buyer shall use its commercially reasonable efforts to minimize any interference with the preparation of such financial statements.

Section 5.18 Termination of 401(k) Plan. Prior to the Closing, the Sellers shall execute the 401(k) Resolutions pursuant to which the general partner of HWA I shall terminate each Employee Plan that includes a Code Section 401(k) arrangement.

Section 5.19 Termination of Management Agreements. Within five Business Days of the date hereof, the Sellers shall (i) cause HWA I to deliver a notice of termination of the Asset Services Agreement, dated as of March 1, 2006, between HWA I and Shorenstein Realty Services, L.P, pursuant to Section 4.1(c) thereof and (ii) cause HWA 555 Owners, LLC to deliver a notice of termination of the Building Management Agreement, dated as of March 1, 2006, by and between HWA 555 Owners, LLC and Shorenstein Realty Services, L.P, pursuant to Section 5.1(c) thereof. The Sellers make no representations with respect to the timeliness or effect of such notice and shall have no liability to the Buyer for any claims resulting therefrom.

Section 5.20 Conversion of Shares. Prior to the Closing, the Sellers shall cause all of the Shares that are bearer shares to be exchanged for registered shares in the applicable Targets, and the Sellers shall cause their Representatives to replace any Shares that have been lost, stolen or destroyed prior to such conversion.

Section 5.21 Further Assurances. At any time following the Closing, the Sellers shall and shall cause their Affiliates to promptly execute, acknowledge and deliver any other assurances or documents reasonably requested by the Buyer to vest more effectively in the Buyer ownership of the Shares and the Partnership Intercompany Notes; provided, that the Buyer shall pay any actual and reasonable third-party fees, costs or expenses incurred by the Sellers in connection therewith and that such assurances or other documents do not create any further obligation on or impair any right of the Sellers.

ARTICLE VI TAX MATTERS

Section 6.1 Cooperation. The Sellers and the Buyer shall provide each other with such cooperation and information as either of them reasonably may request of the other in filing any Tax Return or claim for refund, determining a liability for Taxes or a right to a refund of Taxes, and participating in or conducting any audit or other proceeding in respect of Taxes. The Sellers and the Buyer shall make themselves (and their respective Representatives and employees) available on a basis mutually convenient to both parties to provide explanations of any Tax Returns or information provided under this Section 6.1. Each of the Sellers and the Buyer shall retain all Tax Returns in their possession relating to Tax matters relevant to the Targets and Subsidiaries for each taxable period first ending after the Closing Date and for all prior taxable periods until the later of (a) the expiration of the statute of limitations of the taxable periods to which such Tax Returns relate, without regard to extensions except to the extent notified by the other party in writing of such extensions for the respective Tax periods, or (b) six years following the due date (without extension) for such Tax Returns. After such time, before the Sellers or the Buyer shall dispose of any such Tax Returns in its possession (or in the possession of its Affiliates), the other party shall be given the opportunity, after 30 days' prior written notice, to remove and retain all or any part of such Tax Returns as such other party may select (at such other party's expense). Any information obtained under this Section 6.1 shall be kept confidential as provided in the letter agreement regarding confidentiality being entered into

between the Buyer and the Sellers concurrently herewith (including the exceptions permitted therein), except as may be otherwise necessary in connection with the filing of Tax Returns or claims for refund or in conducting an audit or other proceeding.

Section 6.2 Taxes Generally. All Tax Returns of the Targets or Subsidiaries not required to be filed on or before the date hereof will, to the extent required to be filed on or before the Closing Date, be filed (or caused to be filed) by the Sellers when due and will be prepared (or caused to be prepared) consistent with past practice and in accordance with all applicable Laws. On or before the Closing Date, the Sellers shall prepare and file (or cause to be prepared and filed) Form 1065 for HWA I and Form 1120 for the Subsidiaries that are the direct or indirect partners of HWA I (and, in each case, any state and local equivalent Tax Returns) for the fiscal year ending March 31, 2007 (the "HWA I Tax Returns"). To the extent Tax Returns of the Targets or Subsidiaries are required to be filed after the Closing Date, but relate to taxable periods ending on or before the Closing Date, the Seller will prepare (or cause to be prepared) such Tax Returns consistent with past practice and in accordance with all applicable Laws, and will deliver such Tax Returns to the Buyer for filing. The Sellers will cause to be paid by the applicable Target or Subsidiary the amount of Taxes shown as due on the Tax Returns that are filed by the Seller pursuant to this Section 6.2. The Buyer shall cause the relevant Subsidiaries and/or Targets to file all other Tax Returns and, subject to the Sellers' obligation to indemnify the Buyer pursuant to Section 6.3, shall cause the relevant filing entities to pay all Taxes shown as due on such Tax Returns; provided, however, that any Tax Return prepared and filed by or at the direction of the Buyer that includes any period (or portion thereof) on or before the Closing Date (including a Straddle Period, as defined below) (x) shall report the Tax consequences of the property exchanges entered into by HWA III, HWA IV and HWA V in a manner consistent with the reporting of such exchanges on Form 1065 filed with respect to the fiscal year ending March 31, 2006; (y) shall be prepared consistent with past practices of the entity for which such Tax Return is filed, but only to the extent such past practices are in accordance with applicable Laws; and (z) shall be delivered to the Sellers for review no later than 10 days prior to filing and shall be revised to reflect any reasonable comments by the Sellers.

Section 6.3 Responsibility for and Apportionment of Taxes.

(a) All Taxes relating to the Targets and the Subsidiaries for any taxable year or period (or portion thereof) ending on or prior to the Closing (including, for the avoidance of doubt, any Taxes arising from the sale of the Targets pursuant to this Agreement, the dissolution of HWA II and any corresponding assignments or distributions pursuant to Section 5.2 and the transactions described in Section 5.3) (the "Pre-Closing Tax Period") will be the responsibility of the Sellers, and the Sellers shall jointly and severally indemnify and hold the Buyer, the Targets and the Subsidiaries harmless with respect thereto. Except as otherwise provided herein, all Taxes relating to the Targets and the Subsidiaries for any taxable year or period (or portion thereof) beginning after the Closing (the "Post-Closing Tax Period") will be the responsibility of the relevant Target or Subsidiary and not of the Sellers. The Sellers shall also be liable, and shall jointly and severally indemnify the Buyer, the Targets and the Subsidiaries, for all Taxes imposed on any Target or any Subsidiary as a result of a failure of any of the representations and warranties in Section 3.14 to be true, and such representations and warranties shall survive for the relevant statute of limitations period for the Taxes in question. Notwithstanding anything in this Agreement to the contrary, to the extent Taxes relating to the Targets or the Subsidiaries for

any Pre-Closing Tax Period are attributable to the Buyer's adoption, modification or termination of any Tax election, Tax year or method of Tax accounting, on or after the Closing Date (other than as expressly contemplated by this Agreement, required by applicable Laws or mandated by a Governmental Authority), such Taxes shall not be the responsibility of the Sellers, and the Sellers shall have no indemnification obligation for such Taxes. Any prepaid Taxes or estimated Tax payments made by a Target or a Subsidiary (or by the Sellers on behalf of a Target or a Subsidiary) on or prior to the Closing Date shall be allocated to the Sellers in determining the Sellers' obligations hereunder (including any Pre-Closing Adjustment Amount or Final Adjustment Amount). For certainty of interpretation, and for purposes of this Section 6.3(a), Taxes for a Pre-Closing Tax Period attributable to any public disclosure by the Buyer or its Affiliates that is required as a result of FASB Interpretation No. 48 shall remain the responsibility of the Sellers, and the Sellers shall have an indemnification obligation for such Taxes.

(b) Whenever it is necessary for purposes of this Article VI to determine the liability for Taxes of any Target or any Subsidiary for any taxable period beginning on or prior to and ending after the Closing Date (a "Straddle Period"), the determination shall be made by assuming that the Target or the Subsidiary (as the case may be) had a taxable year or period which ended at the close of business on the Closing Date, except that exemptions, allowances or deductions that are calculated on an annual basis (such as the deduction for depreciation) shall be apportioned on a time basis.

Section 6.4 Filing of Amended Tax Returns. Any amended Tax Return or claim for Tax refund with respect to a Target or Subsidiary to be filed after the Closing for a Pre-Closing Tax Period requires the consent of both the Sellers and the Buyer. The Buyer shall not make an election under Section 338(g) of the Code with respect to the acquisition of the Targets without the prior written consent of the Sellers.

Section 6.5 Refunds or Credits.

(a) To the extent any refunds, interest or credits with respect to Taxes of a Target or a Subsidiary are attributable to a Pre-Closing Tax Period, such refunds, interest or credits shall be for the account of the Sellers. Notwithstanding the foregoing, any such refunds, interest, credits or offsets of Taxes shall be for the account of the Buyer to the extent such refunds, interest, credits or offsets of Taxes are (A) attributable (determined on a marginal basis) to the carryback from a taxable year or period that begins after the Closing Date of items of loss, deduction or credit, or other Tax items of any Target or any Subsidiary (or any of their respective Affiliates, including the Buyer) or (B) included in the Other Assets.

(b) To the extent that any refunds, interest or credits with respect to Taxes of a Target or a Subsidiary are attributable to a Post-Closing Tax Period, such refunds, interest or credits shall be for the account of the Buyer. To the extent any refunds, interest or credits with respect to Taxes paid by a Target or a Subsidiary are attributable to a Straddle Period, such refunds, interest or credits with respect to Taxes shall be apportioned between the Sellers and the Buyer based on the appropriate allocation method set forth in Section 6.3. The Buyer shall forward to the Sellers or reimburse the Sellers for any such refunds, interest or credits that are for the account of the Sellers within 10 Business Days from receipt thereof by the Buyer or any of its

Affiliates, provided that solely with respect to any refunds, interest or credits related to Taxes, such amounts shall be subject to a right of set-off in respect of any claim a Buyer Indemnified Party may have against the Sellers.

Section 6.6 Tax Contests

(a) The Buyer shall promptly notify the Sellers in writing upon receipt by the Buyer, any Target or any Subsidiary of notice of any pending or threatened federal, state, local or foreign income or franchise Tax audits or assessments which may materially affect the Tax liabilities of any Target or any Subsidiary for which the Sellers would be required to indemnify the Buyer pursuant to Article VI, provided, however, that failure to comply with this provision shall not affect the Buyer's right to indemnification hereunder except to the extent such failure has materially prejudiced the Sellers' ability to defend the audit or assessment.

(b) The interests of the Sellers in any Tax audit or administrative or court proceeding to the extent relating to taxable periods ending on or before the Closing Date or relating to any Straddle Period shall be determined based on procedures mutually agreed upon between the Sellers and the Buyer.

Section 6.7 Payment of Transfer Taxes. The Buyer shall pay all Transfer Taxes owing in respect of the transfer of the Shares from the Sellers to the Buyer as contemplated herein. The Sellers agree to cooperate with the Buyer in the preparation of and, where required, by joining as signatory to, the Tax Returns required in connection with the foregoing Transfer Taxes.

Section 6.8 Adjustment to Purchase Price. Any payment under article vi will be an adjustment to the purchase price to the extent permitted by applicable law.

**ARTICLE VII
CASUALTY AND CONDEMNATION**

Section 7.1 Casualty.

(a) For purposes of this Article VII, the following terms shall have the following meanings:

"Major Casualty" means one or more fires or other casualties to any of the Properties that results in (1) aggregate Restoration Costs in excess of \$45,000,000 at a Property, as determined on a Property by Property basis, and not on an aggregate basis among all of the Properties, (2) tenants holding Leases of more than 20% of the total rentable space in the applicable Property having a right to terminate their Leases (it being understood that any tenant that subsequently loses or waives such right to terminate in writing shall not be included in such calculation) or (3) receipt of notice from the Lender under the 1290 Senior Debt Agreement that the casualty (or, if applicable, condemnation) has resulted in an Event of Default (as defined in the 1290 Senior Debt Agreement) or otherwise allows the loan made pursuant to the 1290 Senior Debt Agreement to be declared due and payable (unless such Lender shall have waived in writing all such rights).

"Material Portion" shall mean a fee, leasehold, easement or other interest in any Property that reduces the value of such Property by more than \$45,000,000.

"Restoration Costs" means, as of any date with respect to any fire or other casualty, the estimated total cost, as reasonably determined by an architect or engineer selected by Sellers and reasonably approved by the Buyers, to be incurred, from and after such date, to repair or restore the damage to any of the Properties caused by such fire or other casualty.

(b) If, between the date hereof and the Closing, there shall occur one or more fires or other casualties affecting any or all of the Properties, or any portions thereof and the fires and/or other casualties do not constitute a Major Casualty, then (i) no party shall have any right to terminate this Agreement as a result thereof and (ii) if such fires or other casualties resulted in damages to the Properties, the Buyer shall acquire the Targets without reduction of or offset against the Purchase Price or any other claim against the Sellers except as may be expressly provided below. At Closing, the Sellers shall pay to the Buyer all insurance proceeds received by the Sellers or any of their Affiliates (other than a Target or a Subsidiary) in connection with such fires or other casualties (other than any business interruption or rent loss insurance attributable to the period prior to the Closing) and shall assign to the Buyer the Sellers' right, if any, to receive any insurance proceeds payable to the Sellers or any of their Affiliates (other than a Target or a Subsidiary) as a result of such fires or other casualties, provided, however, that the Sellers shall be entitled to retain (to the extent previously paid to the Sellers), and shall not be obligated to assign the right to receive (to the extent not previously paid to the Sellers), an amount of such insurance proceeds equal to the Sellers' expenses, if any, incurred by the Sellers or any of their Affiliates (including the Targets and Subsidiaries) in collecting such proceeds and undertaking any repairs of the Properties. Additionally, the Purchase Price shall be reduced by the deductible amount under such insurance policies.

(c) If, between the date hereof and the Closing, there shall occur a fire or other casualty affecting the Properties, and the damage to any of the Properties (as determined on a Property by Property basis and not on an aggregate basis among all the Properties) results in a Major Casualty to such Property, then the Buyer shall have the option, to be exercised by notice given to the Sellers (a "Casualty Termination Notice") within 15 days after the date the Sellers deliver written notice to the Buyer of such fire or other casualty (including, in such notice, an affirmative statement that it is being given pursuant to this Section 7.1(c) and that if the Buyer fails to respond within 15 days of receipt the same will be deemed a waiver of the Buyer's termination right under this Agreement), to terminate this Agreement in its entirety. If the Buyer shall deliver a Casualty Termination Notice, then this Agreement shall terminate in its entirety (subject to Section 10.2) immediately upon receipt by the Sellers of such termination notice. If the Buyer shall elect to terminate this Agreement by delivering a Casualty Termination Notice, then (x) the Buyer shall be entitled to the return of the Escrow Fund and (y) no party hereto shall have any further obligations or liabilities to the other under this Agreement, except for those which expressly survive the termination of this Agreement as set forth in Section 10.2. If the Buyer does not elect to terminate this Agreement as provided in this Section 7.1(c), then this Agreement shall remain in full force and effect and, to the extent applicable, the provisions of Section 7.1(b) above shall apply to such damage and any insurance proceeds payable in connection therewith.

(d) In no event shall the Sellers have any obligation to repair any damage or destruction to the Properties (except as provided in Section 5.1 of this Agreement), but the Sellers shall have the right to do so and utilize insurance proceeds for such purpose.

Section 7.2 Condemnation.

(a) If, between the date hereof and the Closing, and as determined on a Property by Property basis, any condemnation or eminent domain proceedings are initiated which would result in the taking of all or any Material Portion of a Property or that would result in the circumstances described in clause (2) or clause (3) of the definition of Major Casualty, then the Buyer may elect to terminate this Agreement by giving written notice of its election to the Sellers within 15 days after receiving written notice of such prospective taking (including, in such notice, an affirmative statement that it is being given pursuant to this Section 7.2(a) and that if the Buyer fails to respond within 15 days of receipt the same will be deemed a waiver of the Buyer's termination right under this Agreement). If this Agreement shall be so terminated, then (i) the Buyer shall be entitled to the prompt return of the Escrow Fund, and (ii) none of the parties hereto shall have any further obligations or liabilities to any other parties under this Agreement, except for those which expressly survive the termination of this Agreement as set forth in Section 10.2. If this Agreement is not so terminated as aforesaid, then the parties hereto shall proceed to the Closing without reduction of or offset against the Purchase Price (but the Sellers agree that at Closing the Sellers will assign any and all right to recover proceeds in respect of any such condemnation or other proceedings to the Buyer in a form of assignment reasonably acceptable to the Buyer and if any such proceeds shall be paid to or become payable to any Seller or any Affiliate thereof, other than a Target or a Subsidiary, the Sellers agree to deliver, or cause the same to be delivered, directly to the Buyer promptly upon receipt) and the Buyer shall have no other claim against the Sellers. In such event, at the Closing all of the Sellers' right, title and interest in and to any condemnation proceeds paid or payable in connection therewith shall be paid or assigned, as the case may be, to the Buyer.

(b) If, between the date hereof and the Closing, any condemnation or eminent domain proceedings are initiated which would result in the taking of less than a Material Portion of a Property, then the Buyer may not terminate this Agreement as a result thereof and the parties shall proceed to the Closing without reduction of or offset against the Purchase Price (but the Sellers agree that at Closing the Sellers will assign any and all right to recover proceeds in respect of any such condemnation or other proceedings to the Buyer in a form of assignment reasonably acceptable to the Buyer and if any such proceeds shall be paid to or become payable to any Seller or any Affiliate thereof, other than a Target or a Subsidiary, the Sellers agree to deliver, or cause the same to be delivered, directly to the Buyer promptly upon receipt) and the Buyer shall have no claim against the Sellers with respect thereto. In such event, at the Closing all of the right, title and interest of the Sellers in and to any condemnation proceeds paid or payable in connection therewith shall be paid or assigned to the Buyer.

Section 7.3 Waiver. The Sellers and the Buyer hereby waive the provisions of Section 5-1311 of the General Obligations Law of the State of New York and Section 1662(a) of the California Civil Code, and of any other similar law to the same or similar effect, and agree that the same shall not apply to this Agreement.

ARTICLE VIII
CONDITIONS TO CLOSING

Section 8.1 General Conditions. The respective obligations of the Buyer and the Sellers to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which may, to the extent permitted by applicable Law, be waived in writing by either party in its sole discretion (provided, however, that such waiver shall only be effective as to the obligations of such party):

(a) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) that is then in effect and that enjoins, restrains, makes illegal or otherwise prohibits the consummation of the transactions contemplated by this Agreement or the Ancillary Agreements (an "Order ") and no such Order has been threatened.

(b) All material consents of, or registrations, declarations or filings with, any Governmental Authority required for the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements shall have been obtained or filed.

Section 8.2 Conditions to Obligations of the Sellers. The obligations of the Sellers to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which may be waived in writing by the Sellers in their sole discretion:

(a) The representations and warranties of the Buyer contained in this Agreement or any Ancillary Agreement or any certificate delivered pursuant hereto shall be true and correct both when made and as of the Closing, or in the case of representations and warranties that are made as of a specified date, such representations and warranties shall be true and correct as of such specified date, except where the failure to be so true and correct (without giving effect to any limitation or qualification as to "materiality" (including the word "material") or "Material Adverse Effect" set forth therein) would not, individually or in the aggregate, have a Buyer Material Adverse Effect. The Buyer shall have performed all obligations and agreements and complied with all, covenants and conditions required by this Agreement or any Ancillary Agreement to be performed or complied with by it in all material respects prior to or at the Closing. The Sellers shall have received from the Buyer a certificate to the effect set forth in the preceding sentences, signed by a duly authorized officer thereof.

(b) The Sellers shall have received an executed counterpart of each of the Ancillary Agreements, signed by each party other than the Sellers, and each of the other closing deliverables required to be delivered by the Buyer pursuant to Section 2.4.

(c) The distributions set forth in Sections 5.2 and 5.3 of this Agreement shall have been consummated in accordance with the provisions thereof.

(d) The HWA I Tax Returns shall have been prepared and filed with the relevant taxing authorities as provided in Section 6.2.

Section 8.3 Conditions to Obligations of the Buyer. The obligations of the Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which may be waived in writing by the Buyer in its sole discretion:

(a) The representations and warranties of the Sellers contained in this Agreement or any Ancillary Agreement or any certificate delivered pursuant hereto shall be true and correct both when made and as of the Closing, or in the case of representations and warranties that are made as of a specified date, such representations and warranties shall be true and correct as of such specified date, except where the failure to be so true and correct (without giving effect to any limitation or qualification as to "materiality" (including the word "material") or "Material Adverse Effect" set forth therein) would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Notwithstanding the preceding sentence, the representations and warranties of the Sellers contained in Sections 3.4, 3.5 and 3.6 shall be true and correct in all respects both when made and as of the Closing. The Sellers shall have performed all obligations and agreements and complied with all covenants and conditions required by this Agreement or any Ancillary Agreement to be performed or complied with by them in all material respects prior to or at the Closing. Notwithstanding the preceding sentence, the covenants of the Sellers contained in Section 5.16 shall have been performed (subject to waiver by the Buyer) in all respects prior to the Closing. The Buyer shall have received from each of the Sellers a certificate to the effect set forth in the preceding sentences, signed by a duly authorized officer thereof.

(b) The Buyer shall have received an executed counterpart of each of the Ancillary Agreements, signed by each party other than the Buyer, and each of the other closing deliverables required to be delivered by the Sellers pursuant to Section 2.5.

(c) The Buyer shall have obtained the Debt Consents.

(d) The Buyer shall have delivered the Non-Consolidation Opinion to the Lender (as defined therein) under the 1290 Senior Debt Agreement in a form acceptable to such Lender and the relevant ratings agencies.

(e) The distributions set forth in Sections 5.2 and 5.3 of this Agreement shall have been consummated in accordance with the provisions thereof.

(f) (i) There shall exist no Voluntary Title Matters, (ii) there shall exist no Monetary New Title Matters (other than such Monetary New Title Matters as have been waived by the Buyer as provided in Section 5.16(b) or which the Sellers have elected to treat as an "Other Liability" as provided in this Agreement) and (iii) there shall exist no Non-Monetary New Title Matters, that, individually and in the aggregate materially and adversely affect the value or use of the Property to which the Non-Monetary New Title Matter relates.

(g) The HWA I Tax Returns shall have been prepared and filed with the relevant taxing authorities as provided in Section 6.2.

**ARTICLE IX
INDEMNIFICATION**

Section 9.1 Survival of Representations, Warranties and Covenants. The representations and warranties of the Sellers and the Buyer contained in this Agreement shall survive the Closing until December 31, 2007, subject to extension as contemplated by Section 9.5(a); provided, however, that:

- (a) the representations and warranties contained in Sections 3.4, 3.5 and 3.6 shall survive indefinitely;
- (b) the representations and warranties contained in Sections 3.1, 3.2, 3.3, 3.7(c), 3.7(f), 3.16(a)(ii), 3.16(a)(v), 3.16(a)(viii), 3.16(a)(ix), 3.16(a)(x), 3.17, 3.22 and 3.25 shall survive until January 31, 2009; and
- (c) in the absence of fraud, the representations and warranties contained in Sections 3.9, 3.15 and 3.23 shall not survive the Closing.

Section 9.2 Indemnification by the Sellers. Following the Closing, the Sellers shall, jointly and severally, save, defend, indemnify and hold harmless the Buyer and its Affiliates (including the Targets and the Subsidiaries), officers, directors, employees, agents, successors and assigns (collectively, the "Buyer Indemnified Parties") from and against any and all losses, damages, liabilities, deficiencies, claims, interest, awards, judgments, penalties, costs and expenses (including reasonable attorneys' fees, costs and other out-of-pocket expenses incurred in investigating, preparing or defending the foregoing) (hereinafter collectively, "Losses") to the extent arising out of or resulting from:

- (a) any breach of any representation or warranty made by a Seller or the Sellers contained in this Agreement or any Ancillary Agreement or any certificate delivered pursuant hereto (for purposes of determining the amount of any Losses (but not for determining if a breach of any representation or warranty has occurred) pursuant to this Section 9.2(a), all representations and warranties shall be read without any "material", "materiality" and "material adverse effect" qualifications);
- (b) any breach of any covenant or agreement by a Seller or the Sellers contained in this Agreement; and
- (c) any indemnification or other obligation of the Targets or the Subsidiaries arising under the Extell Purchase Agreement and, any other residual liability any of the Targets or Subsidiaries may have as a result of owning or operating the property exchanged pursuant to the Extell Purchase Agreement or any other property any of the Targets and the Subsidiaries may have owned or leased prior to purchasing the Properties. For the avoidance of doubt, nothing in this paragraph (c) shall supersede or modify the Indemnification Agreement or in any way affect the parties' obligations pursuant to the Indemnification Agreement.

Section 9.3 Indemnification by the Buyer. Following the Closing, the Buyer shall save, defend, indemnify and hold harmless the Sellers and their Affiliates, officers, directors,

employees, agents, successors and assigns (collectively, the "Seller Indemnified Parties") from and against any and all Losses to the extent arising out of or resulting from:

- (a) any breach of any representation or warranty made by the Buyer contained in this Agreement or any Ancillary Agreement or any certificate delivered pursuant hereto;
- (b) any breach of any covenant or agreement by the Buyer contained in this Agreement; and
- (c) any claim or cause of action by any Person against any Seller Indemnified Party with respect to the operations of the Targets or the Subsidiaries following the Closing (but subject to the Targets' and Subsidiaries' indemnification obligations pursuant to Section 5.10), except for claims or causes of action with respect to which the Sellers are obligated to indemnify the Buyer Indemnified Parties pursuant to Section 9.2.

Section 9.4 Procedures.

(a) In order for a Buyer Indemnified Party or Seller Indemnified Party (the "Indemnified Party") to be entitled to any indemnification provided for under this Agreement as a result of a Loss or a claim or demand made by any Person against the Indemnified Party (a "Third Party Claim"), such Indemnified Party shall deliver notice thereof to the party against whom indemnity is sought (the "Indemnifying Party") promptly after receipt by such Indemnified Party of written notice of the Third Party Claim, describing in reasonable detail the facts giving rise to any claim for indemnification hereunder, the amount or method of computation of the amount of such claim (if known) and such other information with respect thereto as the Indemnifying Party may reasonably request. The failure to provide such notice, however, shall not release the Indemnifying Party from any of its obligations under this Article IX except to the extent that the Indemnifying Party is materially prejudiced by such failure.

(b) The Indemnifying Party shall have the right, upon written notice to the Indemnified Party within 30 days of receipt of notice from the Indemnified Party of the commencement of such Third Party Claim, to assume the defense thereof at the expense of the Indemnifying Party with counsel selected by the Indemnifying Party and reasonably satisfactory to the Indemnified Party. If the Indemnifying Party assumes the defense of such Third Party Claim, the Indemnified Party shall have the right to employ separate counsel and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Indemnified Party. If the Indemnifying Party assumes the defense of any Third Party Claim, the Indemnified Party shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Indemnifying Party. Whether or not the Indemnifying Party assumes the defense of a Third Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, or offer to settle, compromise or discharge, such Third Party Claim without the Indemnifying Party's prior written consent.

(c) In the event any Indemnified Party should have a claim against any Indemnifying Party hereunder that does not involve a Third Party Claim being asserted against or

sought to be collected from such Indemnified Party, the Indemnified Party shall deliver notice of such claim promptly to the Indemnifying Party, describing in reasonable detail the facts giving rise to any claim for indemnification hereunder, the amount or method of computation of the amount of such claim (if known) and such other information with respect thereto as the Indemnifying Party may reasonably request. The failure promptly to provide such notice, however, shall not release the Indemnifying Party from any of its obligations under this Article IX except to the extent that the Indemnifying Party is materially prejudiced by such failure. The Indemnified Party shall reasonably cooperate and assist the Indemnifying Party in determining the validity of any claim for indemnity by the Indemnified Party and in otherwise resolving such matters. Such assistance and cooperation shall include providing reasonable access to and copies of information, records and documents relating to such matters.

Section 9.5 Limits on Indemnification.

(a) No claim may be asserted against either party for breach of any representation, warranty or covenant contained herein, unless written notice of such claim is received by such party, describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim on or prior to the date on which the representation, warranty or covenant on which such claim is based ceases to survive as set forth in Section 9.1, in which case such representation, warranty or covenant shall survive as to such claim until such claim has been finally resolved.

(b) Notwithstanding anything to the contrary contained in this Agreement:

(i) the Sellers shall not be liable to any Buyer Indemnified Party for any claim for indemnification pursuant to Sections 9.2(a) and (b) unless and until the aggregate amount of indemnifiable Losses that may be recovered from the Sellers equals or exceeds \$5,000,000, as this amount may be reduced from time to time as provided in Section 2.6 of the Indemnification Agreement (as so reduced, the "Basket Amount"), in which case the Sellers shall be liable only for the Losses in excess of the Basket Amount (i.e., claims pursuant to Section 9.2(a) are subject to a one-time deductible equal to the Basket Amount); provided, however, that no Losses may be claimed by any Buyer Indemnified Party or shall be reimbursable by the Sellers or shall be included in calculating the aggregate Losses for purposes of this clause (i) other than Losses in an amount that exceeds \$50,000 resulting from any single claim or aggregated claims arising out of the same or related facts, events or circumstances (the "Minimum Loss Amount"; it being understood that any Losses that do exceed the Minimum Loss Amount will be recoverable in full – i.e., the Minimum Loss Amount is a filter but not a deductible); and provided further, however, that claims for indemnification: (A) for breaches of any representation or warranty contained in Section 3.18 or (B) provided by Article VI with respect to income taxes (it being agreed that any claims for indemnification for any Taxes, other than income taxes and withholding taxes and all interest, penalties and expenses relating thereto, shall be subject to the Basket Amount and Minimum Loss Amount) shall not be subject to any of the limitations set forth in this Section 9.5(b)(i);

(ii) the Sellers shall not be obligated to indemnify any Buyer Indemnified Party with respect to any Loss to the extent that the Buyer was compensated for such Loss in the calculation of the adjustment of the Base Purchase Price, if any, as finally determined pursuant to Section 2.7; and

(iii) no party hereto shall have any liability under Sections 9.2 or 9.3 of this Agreement for any punitive, consequential, special or indirect damages, including business interruption, loss of future revenue, profits or income, or loss of business reputation or opportunity relating to the breach or alleged breach of this Agreement.

(c) For all purposes of this Article IX, "Losses" shall be net of the actual dollar benefit payable to the Buyer or the affected Subsidiaries pursuant to any insurance or other recoveries payable under the Insurance Policies (or replacements thereof) obtained by the Sellers, the Targets or the Subsidiaries prior to the Closing, for which all premiums were either paid in full prior to the Closing or reflected as an "Other Liability," to the Indemnified Party or its Affiliates in connection with the facts giving rise to the right of indemnification. The Buyer and the Sellers shall, or shall cause the applicable Indemnified Party to, use commercially reasonable efforts to seek full recovery under all Insurance Policies (or replacements thereof) obtained by the Sellers, the Targets or the Subsidiaries prior to the Closing, for which all premiums were either paid in full prior to the Closing or reflected as an "Other Liability," covering any Loss to the same extent as they would if such Loss were not subject to indemnification hereunder.

Section 9.6 [Reserved]

Section 9.7 Escrow Fund.

(a) The Buyer hereby agrees that the Escrow Fund shall provide the sole and exclusive remedy for the Buyer Indemnified Parties with respect to any indemnification claim asserted hereunder other than (i) claims for Losses resulting from breaches of Sections 3.4, 3.5, 3.6 and 3.18, (ii) indemnification claims provided by Article VI and (iii) indemnification for the Sellers' obligations under the Indemnification Agreement, for which, in each case, the Buyer may seek indemnification as provided herein from the Sellers, jointly and severally, (A) in the case of (i) and (ii) for any amounts in excess of the amount remaining in the Escrow Fund and (B) in the case of (iii) for any amounts (it being understood that solely with respect to (iii), the Buyer is not required to exhaust funds in the Escrow Fund before seeking indemnification for such claims against the Sellers directly). If a Buyer Indemnified Party is entitled to indemnification under this Article IX and the Buyer so requests, the Buyer and the Sellers shall jointly instruct the Escrow Agent to pay to the Buyer Indemnified Party from the Escrow Fund the amount of such Losses by wire transfer of immediately available funds in accordance with the terms of the Escrow Agreement.

(b) The Buyer and the Sellers agree that, if any amounts in excess of \$50,000,000 remain in the Escrow Fund as of the close of business on December 31, 2007, the Buyer and the Sellers promptly shall instruct the Escrow Agent to pay such funds (less any amounts then subject to any claim by any Buyer Indemnified Party against the Sellers) to the Sellers. The Buyer and the Sellers agree that any amounts remaining in the Escrow Fund after December 31,

2007 shall only be available to satisfy (i) claims for Losses resulting from breaches of the representations set forth in Sections 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7(c), 3.7(f), 3.16(a)(ii), 3.16(a)(v), 3.16(a)(viii), 3.16(a)(ix), 3.16(a)(x), 3.17, 3.22 and 3.25 of this Agreement, (ii) indemnification claims provided by Article VI of this Agreement, (iii) the Sellers' obligations under the Indemnification Agreement and (iv) any claims still outstanding hereunder as of December 31, 2007.

(c) The Buyer and the Sellers agree that, if any amounts in excess of \$25,000,000 remain in the Escrow Fund as of the close of business on January 31, 2009, the Buyer and Sellers promptly shall instruct the Escrow Agent to pay such funds (less any amounts then subject to any claim by any Buyer Indemnified Party against the Sellers) to the Sellers. The Buyer and the Sellers agree that any amounts remaining in the Escrow Fund after January 31, 2009 shall only be available to satisfy (A) indemnification claims provided by Article VI, (B) the Sellers' obligations under the Indemnification Agreement and (C) any claims still outstanding hereunder as of January 31, 2009. If the Legal Action has been finally resolved on or before December 31, 2009, then on or after December 31, 2009 Buyer and the Sellers promptly shall instruct the Escrow Agent to pay the remaining amount of the Escrow Fund (less any amounts then subject to any claim by any Buyer Indemnified Party against the Sellers) to the Sellers. Any amounts remaining in the Escrow Fund after December 31, 2009 shall only be available to satisfy (A) indemnification claims provided by Article VI, (B) the Sellers' obligations under the Indemnification Agreement and (C) any claims still outstanding hereunder as of December 31, 2009.

(d) The Buyer and the Sellers agree that promptly after the later of December 31, 2009 and the date on which the Legal Action is no longer pending (whether by settlement or final judgment) the Buyer and the Sellers shall instruct the Escrow Agent to pay any funds remaining in the Escrow Fund (less any amounts then subject to any claim by any Buyer Indemnified Party against the Sellers) to the Sellers.

(e) Subject to paragraphs (a) – (d) above, the Buyer and the Sellers shall promptly instruct the Escrow Agent to pay any amounts that are subject to any claim by any Buyer Indemnified Party against the Sellers to such Buyer Indemnified Party or the Sellers, as appropriate, upon the final determination of such claim.

Section 9.8 Assignment of Claims. If any Buyer Indemnified Party receives any payment from the Sellers in respect of any Losses pursuant to Section 9.2 and the Buyer Indemnified Party had a reasonable and good faith basis for recovering all or a significant portion of such Losses from a third party (and specifically excluding Vornado Realty Trust, Vornado Realty L.P., the Buyer, any Target or Subsidiary, any Affiliate of any of the foregoing, any existing or former owner of an equity interest in any of the foregoing, any lender or servicer or collateral agent in respect of any financing binding upon any Target or Subsidiary or any assets of any of them, and any then-current tenant, in its capacity as a tenant or occupant, at either of the Properties) (a "Potential Contributor"), based on the underlying claim asserted against the Sellers, and the Buyer Indemnified Party elected not to pursue such third party claim, the Buyer Indemnified Party shall assign, on a non-recourse basis and without any representation or warranty, such of its rights to proceed against the Potential Contributor as are available and necessary to permit the Sellers to pursue recovery from the Potential Contributor of the amount

of such payment. If any such assignment would afford the Potential Contributor any defense to the payment of the same, such assignment shall not take place and the Buyer Indemnified Party will, at the Sellers' direction and at the Sellers' sole expense, take such reasonable actions as may be requested by the Sellers to seek to recover such claim from such Potential Contributor. Any payment received in respect of such claim against the Potential Contributor (whether by the Sellers or the relevant Buyer Indemnified Party as provided in the immediately preceding sentence) shall be distributed, (i) first, to the Buyer Indemnified Party in the amount of any deductible or similar amount required to be paid or borne by the Buyer Indemnified Party prior to the Sellers being required to make any payment to the Buyer Indemnified Party plus, in the case of any claim by a Buyer Indemnified Party as provided in the immediately preceding sentence, the costs and expenses incurred in investigating, prosecuting, defending or otherwise addressing such claim, (ii) second, to the Sellers in an amount equal to the aggregate payments made by the Sellers to the Buyer Indemnified Party in respect of such claim, plus the costs and expenses incurred in investigating, prosecuting, defending or otherwise addressing such claim and (iii) the balance, if any, to the Buyer Indemnified Party.

Section 9.9 Interest. Any amounts payable to any Buyer Indemnified Party (pursuant to Section 9.2) or any Seller Indemnified Party (pursuant to Section 9.3) shall become immediately due and payable upon the final determination of such claim, and any amounts payable to the Sellers (pursuant to Section 9.7) shall become immediately due and payable as set forth in Section 9.7. If the Buyer or the Sellers do not pay, or do not instruct the Escrow Agent to pay, such amounts within 30 days of their becoming due and payable pursuant to the preceding sentence, such amounts shall bear interest at a rate equal to the rate of interest from time to time published in The Wall Street Journal as the prime rate, calculated on the basis of a year of 365 days and the number of days elapsed.

Section 9.10 Exclusivity. Except as specifically set forth in this Agreement, the Ancillary Agreements and any other agreement or instrument being entered into by the Buyer, the Sellers or any Target or Subsidiary concurrently herewith, effective as of the Closing, in the absence of bad faith, willful misconduct or fraud by the other party (to the extent determined in accordance with Section 11.10), the Buyer, on behalf of itself and the other Buyer Indemnified Parties, on the one hand, and the Sellers, on behalf of themselves and the other Seller Indemnified Parties, on the other hand, waive any rights and claims they may have against each other, whether in law or equity, relating to the Targets or the Subsidiaries and/or the transactions contemplated by this Agreement or the Ancillary Agreements. The rights and claims waived include, without limitation, claims for contribution or other rights of recovery arising out of or relating to any claims for breach of contract, breach of representation or warranty, negligent misrepresentation and all other claims for breach of duty not amounting to bad faith, willful misconduct or fraud. After the Closing, subject to the foregoing and except for payments owing by any party in the nature of adjustments to the Purchase Price or pursuant to Article VI or Section 2.8, this Article IX will provide the exclusive remedy available to the parties against each other for any breach of any representation, warranty, covenant or other claim arising out of or relating to this Agreement or any Ancillary Agreement and/or the transactions contemplated hereby or thereby.

ARTICLE X TERMINATION

Section 10.1 Termination.

(a) This Agreement may be terminated by either the Sellers or the Buyer if the Closing has not occurred by the close of business on the Closing Date (as the same may have been adjourned as provided in Section 2.3), and a failure of the party seeking to terminate to fulfill any obligation under this Agreement was not the cause of the failure of the Closing to occur on such date.

(b) This Agreement may be terminated by the Buyer pursuant to the exercise of its right under clause (2) of the proviso contained in Section 5.16(b) of this Agreement.

Section 10.2 Effect of Termination. In the event of termination of this Agreement as provided herein, this Agreement shall forthwith become void and there shall be no liability on the part of either party except (a) for the provisions of Sections 3.18 and 4.5 relating to broker's fees and finder's fees, Section 5.7 relating to confidentiality, Section 5.9 relating to public announcements, Sections 10.3 and 10.4 relating to payments from the Escrow Fund, Section 11.1 relating to fees and expenses, Section 11.5 relating to notices, Section 11.8 relating to third-party beneficiaries, Section 11.9 relating to governing law, Section 11.10 relating to dispute settlement and this Section 10.2 and (b) that nothing herein shall relieve either party from liability for any breach of this Agreement or any agreement made as of the date hereof or subsequent thereto pursuant to this Agreement.

Section 10.3 Termination Fee. If, on the Closing Date, the Sellers are ready, willing and capable of closing (it being understood that so long as the Sellers are ready, willing and capable of implementing any of the agreements, obligations or covenants set forth in Sections 5.2 and 5.3 of this Agreement and satisfying the other conditions precedent to the obligations of the Buyer set forth in clauses (a), (b) and (f) of Section 8.3 of this Agreement immediately prior to the Closing, they shall not be required to actually implement those transactions in order to satisfy the foregoing standard) and the Buyer is required by the terms hereof, but defaults in its obligation, to effectuate the Closing, then the Sellers shall be entitled to receive from the Buyer as liquidated damages for the damages suffered by the Sellers, an amount equal to \$100,000,000 (which amount the parties agree is a reasonable estimate of the actual damages that will be suffered by the Sellers and does not constitute a penalty), and the Buyer and the Sellers shall instruct the Escrow Agent to pay the that amount out of the Escrow Fund to the Sellers. The termination fee described in this Section 10.3 will be the sole and exclusive remedy that the Sellers will have for any Buyer breach constituting or resulting in a failure of the Buyer to purchase the Shares and the Partnership Intercompany Notes as provided herein.

Section 10.4 Return of Escrow Fund. In the event of any termination of this Agreement by the Buyer or the Sellers prior to the Closing for any reason, the Buyer and the Sellers shall instruct the Escrow Agent to pay the amounts remaining in the Escrow Fund (after the payment, if any, of amounts due the Sellers pursuant to Section 10.3), to the Buyer.

ARTICLE XI

GENERAL PROVISIONS

Section 11.1 Fees and Expenses. Except as otherwise provided herein, all expenses incurred in connection with this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby shall be paid by the party incurring such expenses, whether or not such transactions are consummated. In the event of termination of this Agreement, the obligation of each party to pay its own expenses will be subject to any rights of such party arising from a breach of this Agreement by the other.

Section 11.2 Amendment and Modification. This Agreement may not be amended, modified or supplemented in any manner, whether by course of conduct or otherwise, except by an instrument in writing signed on behalf of each party and otherwise as expressly set forth herein.

Section 11.3 Waiver. No failure or delay of either party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, or any course of conduct, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the parties hereunder are cumulative and are not exclusive of any rights or remedies which they would otherwise have hereunder. Any agreement on the part of either party to any such waiver shall be valid only if set forth in a written instrument executed and delivered by a duly authorized officer on behalf of such party.

Section 11.4 Seller Representative. Each of the Sellers, irrevocably and unconditionally appoints Mr. Michael Pei as the representative of all of the Sellers and agrees, for the benefit of that representative and the Buyer, that Mr. Michael Pei alone will represent and act on behalf of all of the Sellers for all purposes under this Agreement, including the giving and/or receiving of any notice or consent or approval contemplated hereunder. In the event of the incapacity or death of Mr. Michael Pei, the Sellers shall nominate a new representative within five Business Days, and will provide notice of such nomination to the Buyer as set forth herein, and absent such appointment the Sellers agree that Mr. Henry Cheng will serve as the sole representative of the Sellers in the capacity described above until such time as they have appointed another representative to replace Mr. Pei in the capacity described above and have advised the Buyer of that appointment in writing.

Section 11.5 Notices. All notices and other communications hereunder shall be in writing and shall be deemed duly given (a) on the date of delivery if delivered personally, or if by facsimile, upon written confirmation of receipt by facsimile, e-mail or otherwise, (b) on the first Business Day following the date of dispatch if delivered utilizing a next-day service by a recognized next-day courier or (c) on the earlier of confirmed receipt or the fifth Business Day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered to the addresses set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

(a) if to the Sellers, to:

Mr. Michael Pei
33rd Floor

New World Tower
16-18, Queen's Road, Central
Hong Kong
Facsimile: (852) 2537-6701

with a copy (which shall not constitute notice) to:

Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, NY 10166
Attention: Stephan H. Haimo, Esq.
Facsimile: (212) 351-5321

(b) if to the Buyer, to:

Vornado America LLC
888 Seventh Avenue
New York, NY 10019
Attention: David Greenbaum
Facsimile: (212) 894-7070

and:

Vornado America LLC
210 Route 4 East
Paramus, NJ 07652-0910
Attention: Joe Macnow
Facsimile: (201) 843-2198

with a copy (which shall not constitute notice) to:

Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004
Attention: Benjamin R. Weber
Facsimile: (212) 558-3588

Section 11.6 Interpretation. When a reference is made in this Agreement to a Section, Article, Exhibit or Schedule such reference shall be to a Section, Article, Exhibit or Schedule of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement or in any Exhibit are for convenience of reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Any capitalized terms used in any Exhibit but not otherwise defined therein shall have the meaning as defined in this Agreement. All Exhibits and the Schedules annexed hereto or referred to herein are hereby

incorporated in and made a part of this Agreement as if set forth herein. The word "including" and words of similar import when used in this Agreement will mean "including, without limitation", unless otherwise specified. When used in this Agreement the term "ordinary course of business" shall be deemed to refer to the ordinary course of the ownership and operation of the Properties.

Section 11.7 Entire Agreement. This Agreement (including the Exhibits and the Schedules hereto), the Ancillary Agreements, the Confidentiality Agreements and the other agreements and instruments being entered into concurrently herewith constitute the entire agreement, and supersede all prior written agreements, arrangements, communications and understandings and all prior and contemporaneous oral agreements, arrangements, communications and understandings between the parties with respect to the subject matter hereof and thereof. Neither this Agreement nor any Ancillary Agreement or any of the other agreements and instruments being entered into concurrently herewith shall be deemed to contain or imply any restriction, covenant, representation, warranty, agreement or undertaking of any party with respect to the transactions contemplated hereby or thereby other than those expressly set forth herein or therein or in any document required to be delivered hereunder or thereunder, and none shall be deemed to exist or be inferred with respect to the subject matter hereof.

Section 11.8 No Third-Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person other than the parties and their respective successors and permitted assigns any legal or equitable right, benefit or remedy of any nature under or by reason of this Agreement, except as provided in Section 5.10 and Article IX.

Section 11.9 Governing Law. This Agreement and all disputes or controversies arising out of or relating to this Agreement or the transactions contemplated hereby shall be governed by, and construed in accordance with, the internal laws of the State of New York, without regard to the laws of any other jurisdiction that might be applied because of the conflicts of laws principles of the State of New York.

Section 11.10 Dispute Settlement.

(a) Any dispute, controversy or claim arising out of or relating to any provision of this Agreement or the Ancillary Agreements or the interpretation, enforceability, performance, breach, termination or validity hereof or thereof (including this arbitration clause) shall be solely and finally settled by arbitration by a panel of three arbitrators in accordance with the Commercial Arbitration Rules (the "Rules") of the American Arbitration Association ("AAA"), as modified by the provisions of this Section. Each party agrees that the award of the arbitrators shall be final and non-appealable and shall be the sole and exclusive remedy between or among them regarding any and all claims, counterclaims, issues and accountings presented to the arbitrators, irrespective of the magnitude thereof.

(b) To the extent this Section 11.10 is deemed a separate agreement, independent from this Agreement, and for purposes of the Ancillary Agreements, Sections 11.1 (Fees and Expenses), 11.5 (Notices), 11.9 (Governing Law) and 11.16 (Severability) and are incorporated in this Section 11.10 by reference.

(c) All of the arbitrators shall speak English. The parties agree that the choice of arbitrators shall be as follows: one arbitrator shall be appointed by the Buyer and one by the Sellers and the third shall be selected by the two party-appointed arbitrators or, failing agreement within 15 days after both party-appointed arbitrators have been appointed, by the AAA in accordance with the Rules.

(d) All arbitration proceedings shall be conducted pursuant to the Rules in the English language in New York, New York. Each party agrees to facilitate the arbitration by: (i) making available to each other and to the arbitrators for inspection and extraction all documents, books, records and personnel under their control as the arbitrators shall determine to be relevant to the dispute, and (ii) conducting arbitration hearings to the greatest extent possible on successive, contiguous days, and (iii) observing strictly the time periods established by the Rules or by the arbitrators for the submission of evidence and briefs.

(e) All papers, documents and evidence, whether written or oral, filed with or presented to the arbitrator shall be deemed by the parties to be Information (as defined in the Confidentiality Agreements). In addition, the arbitrators shall keep such papers, documents and evidence strictly confidential, and no expert or arbitrator shall disclose in whole or in part to any other person any confidential information submitted by any other person in connection with any arbitration proceedings, except to the extent (i) required by law or regulation, (ii) reasonably necessary to assist counsel in the arbitration or preparation for arbitration of the dispute, or (iii) that such "confidential" information was previously or subsequently becomes known to the disclosing party without restrictions on disclosure, was independently developed by such disclosing party or becomes publicly known through no fault of the disclosing party.

(f) Any award issued by the arbitrators (including any interim award) shall set out a written explanation in English of the reasons for the award and a full statement of the facts as found and the rules of law applied in reaching their decision. Such explanation of the award and the statement of facts shall be treated by the parties as Information (as defined in the Confidentiality Agreements). In addition, the arbitrators shall keep such explanation of the award and the statement of facts strictly confidential and shall treat such information in accordance with paragraph (e) above.

(g) The arbitrators are empowered to render the following awards in accordance with any provision of this Agreement and the Ancillary Agreements: (i) enjoining a party from performing any act prohibited or compelling a party to perform any act required, by the terms of this Agreement and the Ancillary Agreements and any order entered pursuant to this Agreement and the Ancillary Agreements or deemed necessary by the arbitrator to resolve disputes arising under or relating to this Agreement, the Ancillary Agreements or order, (ii) where, and only where, violations of this Agreement or the Ancillary Agreements have been found, shortening or lengthening any period established by this Agreement, the Ancillary Agreements or order, and (iii) ordering such other legal or equitable relief (subject to the limitations on liability set forth herein and therein) or specifying such procedures as the arbitrator deems appropriate, to resolve any dispute submitted to it for arbitration.

(h) Any monetary award of the arbitrators shall be made and payable in immediately available funds in U.S. dollars, free of any Tax and deductions of any kind. Any

such monetary award shall include interest from the date of such award at the rate of interest from time to time published by the Wall Street Journal as the prime rate, calculated on the basis of a year of 365 days and the number of days elapsed.

(i) Any decision or award of the arbitral tribunal shall be final and binding upon the parties to the arbitration proceeding and the arbitrators shall resolve in their award the extent to which the parties shall bear the arbitration costs. Each party hereby waives to the extent permitted by law all jurisdictional defenses, objections as to venue and any rights to appeal or to review of such award by any court or tribunal. Each party agrees that the arbitral award may be found and that a judgment on the arbitration award may be entered in any court having competent jurisdiction over the parties or their assets.

(j) The parties hereby agree that for purposes of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, the relationship between the parties is commercial in nature, and that any disputes between the parties related to this Agreement or the Ancillary Agreements shall be deemed commercial.

(k) Each of the Sellers irrevocably (a) agrees that any suit, Action or other legal proceeding to enforce the outcome of any arbitration provided for herein, may be brought in the courts of the United States of America or in a state court of record in New York County, New York or in any court of competent jurisdiction within Hong Kong, (b) consents to the jurisdiction of each such court in any such suit, Action or proceeding and (c) waives any objection it may have to the laying of venue of any such suit, Action or proceeding in any of such courts and any claim that any such suit, Action or proceeding has been brought in an inconvenient forum.

Section 11.11 Disclosure Generally. Notwithstanding anything to the contrary contained in the Schedules or in this Agreement, the information and disclosures contained in any Schedule shall be deemed to be disclosed and incorporated by reference in any other Schedule as though fully set forth in such Schedule for which applicability of such information and disclosure is reasonably apparent on its face. The fact that any item of information is disclosed in any Schedule shall not be construed to mean that such information is required to be disclosed by this Agreement. Such information and the dollar thresholds set forth herein shall not be used as a basis for interpreting the terms "material" or "Material Adverse Effect" or other similar terms in this Agreement.

Section 11.12 Personal Liability. This Agreement shall not create or be deemed to create or permit any personal liability or obligation on the part of any direct or indirect stockholder of the Sellers or the Buyer or any officer, director, employee, Representative or investor of either party hereto.

Section 11.13 Assignment; Successors. Neither this Agreement, the Ancillary Agreements, nor any of the rights, interests or obligations under this Agreement or the Ancillary Agreements may be assigned or delegated, in whole or in part, by operation of law or otherwise, by either the Buyer, on one hand, or any Seller on the other hand, without the prior written consent of the other party, and any such assignment without such prior written consent shall be

null and void; provided, however, that the Buyer may assign this Agreement to any Affiliate of the Buyer immediately prior to, but conditioned upon, the Closing, provided, however, that: (i) such assignment shall not eliminate or release any of the Buyer's obligations pursuant to this Agreement or the Ancillary Agreements, and (ii) the Buyer and any such Affiliate shall execute and deliver to the Sellers an assignment and assumption agreement in a form reasonably acceptable to the Sellers wherein such Affiliate unconditionally assumes all of the Buyer's rights and obligations under this Agreement and the Ancillary Agreements.

Section 11.14 Enforcement. The parties agree that irreparable damage would occur in the event that the Sellers did not perform any of the provisions of this Agreement in accordance with their specific terms or otherwise breached those provisions. Accordingly, the Buyer shall be entitled to specific performance of the terms hereof, including an injunction or injunctions to prevent breaches of this Agreement, this being in addition to any other remedy to which the Buyer is entitled at law or in equity. The Sellers hereby further waive (a) any defense in any action for specific performance that a remedy at law would be adequate and (b) any requirement under any law to post security as a prerequisite to obtaining equitable relief.

Section 11.15 Currency. All references to "dollars" or "\$" or "US\$" in this Agreement or any Ancillary Agreement refer to United States dollars, which is the currency used for all purposes in this Agreement and any Ancillary Agreement.

Section 11.16 Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application of such provision to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application of such provision, in any other jurisdiction.

Section 11.17 Waiver of Jury Trial. Each of the parties to this agreement hereby irrevocably waives all right to a trial by jury in any action, proceeding or counterclaim arising out of or relating to this agreement or the transactions contemplated hereby.

Section 11.18 Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

Section 11.19 Facsimile Signature. This Agreement may be executed by facsimile signature and a facsimile signature shall constitute an original for all purposes.

Section 11.20 Time of Essence. Time is of the essence with regard to all dates and time periods set forth or referred to in this Agreement.

Section 11.21 No Presumption Against Drafting Party. Each of the Buyer and the Sellers acknowledges that each party to this Agreement has been represented by counsel in

connection with this Agreement and the transactions contemplated by this Agreement. Accordingly, any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement against the drafting party has no application and is expressly waived.

[Remainder of page intentionally left blank.]

By: _____
Name:
(as Seller of _____)

By: _____
Name:
(as Seller of _____)

By: _____
Name:
(as Seller of _____)

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(as Seller of _____)

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(as Seller of _____)

By: _____
Name:
(as Seller of _____)

By: _____
Name:
(_____)

By:
By:

By: _____
Name:
Title:

EMPLOYMENT AGREEMENT

AGREEMENT, dated as of April 19, 2007, by and between Vornado Realty Trust (the "Company") and Mitchell N. Schear ("Employee").

WHEREAS, the Company wishes to secure the continued services of Employee to the Company in accordance with the terms hereof, and

WHEREAS, Employee wishes to provide services to the Company in accordance with the terms hereof;

NOW THEREFORE, 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 President of Vornado/Charles E. Smith Washington DC Office Division (or such other name as in use for such division, the "Smith 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 as of the date first set forth above (the "Commencement Date"), and shall continue until the fifth anniversary thereof; provided that commencing on the fifth anniversary of the Commencement Date, and upon each subsequent anniversary of the Commencement Date, the Employment Period shall be automatically extended for one (1) additional year unless either party gives written notice not to extend this Agreement prior to three (3) months before such extension would otherwise be effectuated. Notwithstanding the foregoing or anything to the contrary set forth herein, in the event Employee's employment earlier terminates in accordance with Section 6, the Employment Period shall end upon such earlier termination.

3. **Duties and Responsibilities.** During the Employment Period, Employee will serve as President of the Smith Division in charge of the Company's Washington, D.C. metropolitan area office division, will perform other executive duties on behalf of the Company consistent with his position and shall report to the President or Chief Executive Officer of the Company. Employee shall devote substantially 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. Notwithstanding the foregoing or anything to the contrary set forth herein, Employee shall, during the term of this Agreement, have the right to engage in Items 6 and 7 on the list of "Excluded Activities" provided in Attachment A hereto, provided that such activities do not impair Employee's ability to perform services to the Company as set forth herein.

4. **Place of Performance.** The principal place of employment of Employee shall be at the Smith Division's offices in Arlington, Virginia.

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 under this Agreement. In addition to Base Salary, the Employee (i) may be entitled to an annual incentive bonus ("Bonus") each fiscal year (at a target of 50% of Base Salary) at the sole discretion of the Company, to be payable at the same time as bonuses are paid to the senior executive officers of the Company listed on Schedule 1 hereto (the "Senior Executive Officers"); and (ii) shall be entitled to participate in extraordinary bonus plans and programs of the Company along with other Senior Executive Officers eligible to participate in such programs.

(b) Share Options. Employee shall be granted share options to purchase 200,000 common shares of beneficial interest ("Stock") of the Company pursuant to the terms of the Company's 2002 Omnibus Share Plan, as amended (the "2002 Plan") at a purchase price per share equal to the fair market value of the Stock on the date the options are granted (the "Options"). Such Options shall be granted on the Commencement Date, and shall be subject to the general terms of the 2002 Plan and the share option agreement thereunder in the form attached hereto as Exhibit A. The Options shall become exercisable at a rate of one-third (33-1/3 %) after the third anniversary of the date of grant, and an additional one-third (33-1/3 %) on each of the fourth and fifth anniversaries of such date, provided Employee remains an employee of the Company on such respective dates. Notwithstanding the foregoing, the Options will accelerate and become fully exercisable if (i) Employee is terminated pursuant to Sections 6(e) or 6(f), or (ii) upon the sale or change in control of the Company (collectively, a "Sale"). Any future share option grants shall be made to Employee on comparable terms as such grants are made to other Senior Executive Officers. In addition, upon a Reporting Termination (as hereinafter defined), the Options will be deemed to vest or have vested ratably over five years from the date of grant and there shall be no other acceleration of vesting of the Options due as a result of such termination.

(c) Benefit Plans. Employee shall be entitled to participate in such retirement, pension, insurance, health, or other benefit plan or program, fringe benefit or other perquisite that generally is provided by the Company for other Senior Executive Officers of the Company, or which it may adopt from time to time for its Senior Executive Officers, 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. Notwithstanding the foregoing, to the extent that the health benefits provided to the Employee by the Company hereunder are not economically equivalent to those provided to Employee by his former employer immediately prior to the date hereof (as a result of new or increased co-pay arrangements, increased deductibles, or the like), the Company shall make a monthly cash payment to Employee to compensate him for any reduction in such benefits, provided, however, that the total of all such monthly cash payments shall not exceed \$10,000 per year.

(d) Vacation. Employee shall be entitled to the normal and customary amount of paid vacation provided to the Company's Senior Executive Officers, but in no event less than four (4) weeks annually, beginning on the Commencement Date. In addition, Employee shall be

entitled to the same sick leave and holidays provided to other Senior Executive Officers of the Company.

(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 Senior Executive Officers, of the Company.

(f) Automobile. The Company shall pay Employee a car allowance equal to \$1875 per month.

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

(a) Expiration. The expiration of the Employment Period.

(b) Death. The death of Employee.

(c) Disability. If, Employee shall be Disabled for a period of six (6) consecutive months and within thirty (30) days after written Notice of Termination is given by the Company after such six (6) 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" or "Disabled" shall mean "Total Disability" or "Totally Disabled" or such similar term as may be defined in the Company's long term disability plan; provided, that, if no such plan exists, "Disability" or "Disabled" shall have the meaning provided in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.

(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) which has not been cured within thirty (30) days after delivery to Employee of a written notice that identifies the manner in which the Company believes that Employee has willfully 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 which has not been cured within thirty (30) days after delivery to Employee of a written notice that identifies the manner in which the Company believes that Employee has willfully engaged in misconduct that has economically injured the Company or an Affiliate, 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 (i) a failure by the Company to comply with any material provision of this Agreement or (ii) a relocation by the Company of Employee's principal place of employment to outside the Washington, D.C. metropolitan area, which, in the case of clauses (i), and (ii) of this

Section 6(e) has not been reasonably cured within thirty (30) days after written notice of such event has been given by Employee to the Company. For the purposes of clarification and without limitation, it will be deemed a material breach as referred to in clause (i) of this Section 6(e) if, without the prior written consent of Employee, (1) the Employee is asked to report to any person other than the President or Chief Executive Officer of the Company, and (2) after not less than six months of reporting to such new person, Employee delivers to the Company a notice of termination of his employment and actually terminates such employment following the expiration of the 30-day cure period referred to above (such event, a "Reporting Termination").

(f) Without Cause. The Company terminates his employment hereunder without Cause by providing Employee with a Notice of Termination.

(g) Voluntary Termination. Employee terminates this Agreement and Employee's employment hereunder at any time upon ninety (90) days 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 (i) Section 6(a) (which shall require the notice specified in Section 2) or (ii) Section 6(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.

(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, thirty (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 thirty (30) day period), (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, and (v) if Employee's employment is terminated for any other reason, the date on which a Notice of Termination is given.

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, provided, however, that such payments shall not limit any rights Employee may have to payments arising from matters outside the terms of this Agreement.

(a) During any period that Employee is Disabled ("Disability Period"), Employee shall continue to receive his Base Salary at the rate then in effect for such Disability Period until his employment is terminated pursuant to Section 6(c) hereof. Payments made to Employee pursuant to this Section 8(a) during the first six (6) 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, provided, however, that if any disability plan of the Company provides for the reduction of benefit payments thereunder as a result of payments that are made or may be made under this Section 8(a), then there shall be no reduction of payments under this Section 8(a) as a result of payments under such disability plan. Employee shall also be entitled to any other benefits or payments provided pursuant to any plan or policy of the Senior Executive Officers 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(b), 6(d) or 6(g) the Company shall pay Employee (i) his accrued but unpaid Base Salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, (ii) any annual earned but unpaid bonus for any completed fiscal year (plus a pro rata share of Employee's target bonus for the fiscal year of termination), (ii) the benefits, fringes and perquisites, including, without limitation, accrued vacation, up to the date of termination, and (iii) any other amount due Employee under any other program or plan of the Company in which the Employee participates.

(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 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. 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 following the Date of Termination. Notwithstanding anything herein to the contrary, upon a Reporting Termination the Severance Payment will be \$1,000,000 and in no event will the Severance Payment exceed \$2,000,000.

(d) No Mitigation. All amounts due hereunder shall be paid without any obligation to mitigate and such amounts shall not be reduced by or offset by any other amounts earned by Employee or, other than pursuant to Section 11 (to the extent applicable), claims by the Company.

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 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 (1) year immediately following his termination of employment for any reason other than pursuant to Sections 6(a), 6(e) and 6(f) (the "Restriction Period") engage, in the Washington, D.C. metropolitan area, in any way, directly or indirectly, in the financing, acquisition, operation, development, management, leasing or disposition of any commercial office real estate property or any improvements thereof on behalf of any public or non-public company, other than the activities set forth in Attachment A hereto (the "Excluded Activities").

(b) Employee hereby covenants and agrees that, at all times during the Restriction Period, Employee shall not pursue or attempt to develop or to direct to any other entity any project which the Company is or was pursuing, developing or attempting to develop during the period of his employment or interfere or otherwise compete (other than in connection with the Excluded Activities or performing services for the Company or its Affiliates with regard to other properties managed by the Company or its Affiliates with the consent of the Company) with any active lease negotiations of the Company which the Employee is or was actively involved in conducting or strategizing on behalf of the Company or its Affiliates.

(c) Employee hereby covenants and agrees that, at all times during the Restriction Period, Employee shall not (i) assist any other person or firm in counseling, advising, encouraging or soliciting any person that within one (1) year immediately prior to the end of the Employment Period was, a tenant of the Company or its Affiliates (a "Tenant") to terminate its lease with the Company or its Affiliates, (ii) contact any Tenant or induce or attempt to induce or otherwise counsel, advise, encourage or solicit any Tenant to terminate its lease with the Company or its Affiliates, or (iii) employ or seek to employ any person employed within one (1) year immediately prior to the end of the Employment Period 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 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 which 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:

Mitchell N. Schear
6672 32nd Place, N.W.
Washington, D.C. 20015

With a copy to:

Jay A. Epstien, Esq.
DLA Piper LLP
1200 19th Street, N.W.
Washington, D.C. 20036

If to the Company:

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

Vornado Realty Trust
210 Route 4 East

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. The Company and Executive agree to work in good faith to effectuate such amendments to this Agreement, if any, as shall be required to bring this Agreement into compliance with the regulations promulgated under Section 409A of the Internal Revenue Code prior to the effective date of such regulations; provided there shall be no additional cost to the Company.

17. Survival. The respective obligations of, and benefits afforded to, Employee and Company as provided in Sections 8, 9, 10, and 14 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 engaging in the Excluded Activities shall not constitute a conflict of interest for purposes of this Agreement.

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 and the attachments and exhibits hereto sets forth the entire agreement of the parties hereto in respect of Employee's employment by the Company 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.

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

VORNADO REALTY TRUST

By: /s/ Michael D. Fascitelli

Michael D. Fascitelli
President

EMPLOYEE

/s/ Mitchell N. Schear

Mitchell N. Schear

Attachment A
Excluded Activities

1. The right to engage, in the Washington, D.C. metropolitan area (the “Non-Compete Area”), in any way, directly or indirectly, in the financing, acquisition, operation, development, leasing or disposition of any primarily (determined on a relative square foot basis) commercial real estate property or any improvements thereof (“Ownership Prohibited Activities”) on behalf of any private company (a “Prohibited Company”) where the projects of the Prohibited Company directly related to Ownership Prohibited Activities in the Non-Compete Area involve ownership and control of operating properties of less than 3,500,000 rentable square feet (not including any square footage with respect to properties listed in Item 7 below).
2. The right to engage, in the Non-Compete area, in any way, directly or indirectly, in the management and leasing of any primarily (determined on a relative square foot basis) commercial office real estate property or any improvements thereof (“Management Prohibited Activities”) on behalf of any Prohibited Company where the projects of the Prohibited Company directly related to Management Prohibited Activities in the Non-Compete Area involve management of operating properties of less than 6,000,000 rentable square feet (not including any square footage with respect to properties listed in Item 7 below).
3. The right to engage in Ownership Prohibited Activities and Management Prohibited Activities through a company started by Employee following the termination of the Employment Period
4. The right to engage in lease brokerage (representing only tenants (excluding any Tenant (as defined in Section 10(c) of the Agreement)), sales brokerage or mortgage brokerage activities.
5. The acquisition, ownership, development, management, leasing or disposition of any property by any entity in which Employee owns or acquires an equity interest as a minority passive investor (including, without limitation, as a limited partner or a non-operating member of a limited liability company) having no managerial or similar role with respect to such property.
6. [Intentionally deleted.]
7. Oversight of specified investments, passive investments and investments not being transferred 100% to the Company pursuant to the transactions authorized by the Contribution Agreement, including the following:
 - a. Waterfront
 - b. Central Place
 - c. 2099 Pennsylvania Avenue N.W.
8. Acting as consultant to governmental entities of the District of Columbia in connection with real estate developments.